

Mapping the Landscape of Net-Zero Nature- Positive Finance

A review of definitions and frameworks

July 2026

NZNPA IP KNOWLEDGE PRODUCT SERIES

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ABOUT THE PROGRAMME

The Net-Zero Nature-Positive Accelerator Integrated Programme (NZNPA IP) provides a bold and transformative response to the overlapping crises of climate change and biodiversity loss by aligning climate and nature action. By prioritising the integration of climate and nature action, mobilising investment and finance, and promoting policy and governance coherence, the NZNPA IP advances national and global efforts to implement net-zero nature-positive solutions.

Launched in 2025, the programme is a six-year \$100 million initiative funded by the Global Environment Facility (GEF), led by the United Nations Environment Programme (UNEP) in partnership with the Asian Development Bank (ADB) and the Development Bank of Latin America (CAF), and implemented by the United Nations Development Programme (UNDP), the Food and Agriculture Organization (FAO), the United Nations Industrial Development Organization (UNIDO), and UNEP.

The views expressed in this publication are those of the authors and do not necessarily reflect the views of GEF, UNEP, or implementing partners.

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ABOUT CLIMATE POLICY INITIATIVE

CPI is an analysis and advisory organization with deep expertise in finance and policy. Our mission is to help governments, businesses, and financial institutions drive economic growth while addressing climate change. CPI has offices in Austria, Brazil, India, Indonesia, South Africa, the United Kingdom, and the United States.

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ABBREVIATIONS

ASEAN	Association of Southeast Asian Nations
BBOP	Business and Biodiversity Offsets Programme
BIOFIN	Biodiversity Finance Initiative
BNG	Biodiversity net gain
CBD	Convention on Biological Diversity
CO ₂	Carbon dioxide
EIA	Environmental impact assessment
EMDEs	Emerging markets and developing economies
EU	European Union
GBF	Global Biodiversity Framework
GFANZ	Glasgow Financial Alliance for Net Zero
GHG	Greenhouse gas
IDB	Inter-American Development Bank
IPBES	Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services
IPCC	Intergovernmental Panel on Climate Change
NbS	Nature-based solutions
NBSAP	National Biodiversity Strategy and Action Plans
NCS	Natural climate solutions
NNL	No net loss
NPI	Nature Positive Initiative
NZNP	Net-zero nature-positive
G7ANPE	G7 Alliance on Nature Positive Economies
OECD	Organisation for Economic Co-Operation and Development
PES	Payments for ecosystem services
PS6	Performance Standard 6
SBTi	Science-Based Targets Initiative
TCFD	Task Force on Climate-Related Financial Disclosures
TNFD	Taskforce on Nature-related Financial Disclosures
UNFCCC	UN Framework Convention on Climate Change



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1. INTRODUCTION

To achieve a net-zero, climate-resilient, and nature-positive future, policymakers and financial institutions need a common understanding of net-zero nature-positive (NZNP) finance. “Net zero” and “nature positive” are commonly used terms across policy commitments, financial frameworks, taxonomies, and tracking methodologies, but their interpretation and application vary. In parallel, there is growing evidence that net-zero and nature-positive agendas are interdependent, strengthening the case for more integrated approaches to climate and nature (IUCN, 2023). This recognition is reflected in the emergence of climate–nature nexus frameworks (as outlined in Chapter 4 of this report) and in early efforts by financial institutions and regulators to incorporate climate–nature risks and opportunities in their decision-making (Nature Finance, 2024; FSB, 2024).

This report provides the most comprehensive overview to date of existing definitions and frameworks for net-zero, nature-positive, and climate–nature finance. It aims to identify where current approaches align and where gaps limit consistent implementation. As a first output under the [Net-Zero Nature-Positive Accelerator Integrated Programme](#) (NZNPA IP), the report establishes a shared knowledge base for the Programme. Shared conceptual frameworks are essential for translating global guidance into national strategies and for feeding country experience back into global learning without losing meaning. By clarifying how net-zero, nature-positive, and climate–nature concepts are being defined and applied, this review establishes a common reference point to support integrated strategy design, clearer investment signals, and more consistent tracking across the NZNPA IP Global Platform and the Country Child Projects.¹

This report draws on a systematic review of existing literature on net-zero, nature-positive, and climate–nature-nexus finance. The review covers relevant documents published between 2007 and 2025 covering definitions and frameworks for net-zero (59), nature-positive (70) and climate–nature (25) finance. These include foundational research, conceptual frameworks, disclosure methodologies, and guidance developed for policymakers and financial sector actors.

Clarifying areas of convergence and divergence across definitions and methodologies, the report aims to provide a foundation for developing a common definition of NZNP Pathways under the NZNPA IP. This aims to inform the delivery partners under the NZNPA IP, who will use the findings as a common knowledge baseline for their activities within the program. In addition, government officials and international and development finance institutions may use this work to inform policy and investment framework design. This report may also be useful to private financial institutions, research organizations, and donors seeking an overview of the evolving NZNP finance landscape.

¹ The Net-Zero Nature-Positive Accelerator (NZNPA) is a GEF-8 Integrated Program. It includes a Global Platform component to catalyze finance and partnerships, strengthen policy and governance coherence, and curate/share lessons learned, alongside 12 Country Child Projects that implement aligned upstream (strategy/coordination) and downstream (sector investment) activities.

The report is structured as follows:

- **Chapter 2** reviews how the concept of “net zero” evolved from climate science into operational definitions and finance-relevant frameworks.
- **Chapter 3** reviews the evolution of the “nature-positive” concept, the meaning of nature-positive finance, and the main approaches used to qualify and quantify nature-positive finance.
- **Chapter 4** brings the two agendas together by tracing the evolution of climate–nature integration and examining the limited but growing body of work relevant to defining NZNP finance.
- **Chapter 5** summarizes findings and discusses the next steps.

2. NET ZERO

2.1 EVOLUTION AND DEFINITION OF NET ZERO

2.1.1 DEFINITION OF NET ZERO FROM CLIMATE SCIENCE

The concept of net-zero carbon dioxide (CO₂) emissions originates from fundamental climate physics. Physical climate studies link cumulative human-caused CO₂ emissions to global warming, making it clear that stabilizing the climate requires reaching (and eventually sustaining) zero net emissions (Allen et al., 2009). This scientific approach is based on Earth's temperature response rather than any particular carbon accounting rules or offset schemes. It was initially a CO₂-specific requirement driven by climate physics, underscoring that halting CO₂ buildup is a non-negotiable condition for mitigating climate change (IPCC, 2019).

In practical terms, net zero means reducing human-caused greenhouse gas (GHG) emissions to the lowest feasible levels and balancing any remaining emissions with an equivalent quantity of permanent anthropogenic removals (World Bank, 2022). In addition to CO₂, this captures other gases including methane (CH₄), nitrous oxide (N₂O), ozone (O₃), and fluorinated gases such as hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), and sulfur hexafluoride (SF₆) (IPCC, 2022b). This broader GHG framing is used in practical target-setting, while the IPCC statement remains CO₂-specific because of the distinct role of CO₂ in determining long-term warming. The Intergovernmental Panel on Climate Change (IPCC) has affirmed that achieving and sustaining net-zero global anthropogenic CO₂ emissions (and declining net non-CO₂ radiative forcing) would halt anthropogenic global warming on multi-decadal timescales (IPCC, 2019).

2.1.2 OPERATIONALIZATION OF NET ZERO DEFINITIONS

Translating the scientific concept of net zero into policy and action is fundamentally a social and political process (Fankhauser et al., 2022). While physics defines the meaning of net zero, deciding how and when to reach this state involves societal judgments and trade-offs. The acceptable level of global temperature rise is set by humanity's collective choice, informed by scientific evidence of risks. Thus, moving from scientific conception to implementation requires policymakers to set net-zero goals and timelines in the context of economics, equity, and public priorities.

Over the past decade, net zero has become the agreed framework for formulating climate ambitions (see Box 2.1). Under the 2015 Paris Agreement, 197 countries collectively pledged to limit global warming to well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5°C (UNFCCC, 2015). These goals imply a finite global carbon budget, meaning that global CO₂ emissions must reach net zero by around mid-century to keep 1.5°C within reach and to be consistent with pathways that limit warming to well below 2°C by the end of the century. In the years since Paris, net zero has been adopted as the common language to express long-term climate goals across governments, businesses, and civil society.

Stakeholders increasingly frame their climate ambition in terms of achieving net-zero GHG emissions, supported by strategies and frameworks to guide action. To be credible, these strategies must be transparent about their assumptions, ambitious in the pace and scale of emissions reductions, and aligned with broader social and economic development objectives. The net-zero concept is grounded in temperature goals, but it is typically operationalized as percentage reductions in emissions relative to sectoral or company-level pathways (including via implied temperature ratings used for financial portfolios).

Over time, net zero has also evolved into an umbrella term for economy-wide transition planning. It no longer only describes an end point for carbon accounting, but also shapes how countries and institutions design pathways, allocate responsibilities, and manage trade-offs. Recent research identifies key attributes of a robust net-zero strategy, including clear interim milestones, credible sectoral pathways, governance and accountability arrangements, and attention to feasibility and policy coherence (Fankhauser et al., 2022). Importantly, robust strategies increasingly integrate equity and social inclusion, recognizing that the pace and distribution of transition costs and benefits will shape political durability and real-world outcomes.

I. OPERATIONALIZATION AT THE GLOBAL LEVEL

The net-zero concept was cemented through international consensus in the Paris Agreement, which incorporates the essence of net zero in its long-term goal.

Article 4, paragraph 1 of the Agreement calls on Parties to achieve a balance between anthropogenic emissions by sources and removals by sinks of GHGs in the second half of this century (UNFCCC, 2015). This goal marked the formal adoption of net zero into international climate governance (see Box 2.1). The Paris Agreement's net-zero language was agreed by virtually all Parties, signaling a broad commitment to this end-state. While it does not specify an exact year or how the balance is achieved, it sets the mandate for nations to formulate strategies consistent with eventually achieving net zero. Central to achieving the Paris Agreement goals are Nationally Determined Contributions (NDCs), through which Parties set out their national climate targets and mitigation measures. Under the Agreement's ratchet mechanism, Parties are expected to update their NDCs every five years with progressively greater ambition, making NDCs the primary vehicle for translating the Agreement's objectives into concrete national action.

The IPCC Special Report on Global Warming of 1.5°C (2018) operationalized net zero by providing a concrete timeline and carbon budget for achieving the Paris goals. This scientific assessment made it clear that limiting warming to 1.5°C above pre-industrial levels would require reaching net-zero CO₂ emissions globally by about mid-century.² Specifically, the IPCC found that in pathways with no or limited overshoot of 1.5°C, global net anthropogenic CO₂ emissions would need to drop about 45% from 2010 levels by 2030 and hit net zero around 2050 (with a 5-year variability range) (IPCC, 2022a). This scientific urgency prompted governments and institutions to update their ambitions, effectively operationalizing net zero as a timed target.

² The mid-century net-zero milestone refers to net-zero CO₂ emissions. Other GHGs are accounted for in the assessed mitigation pathways, but net-zero GHG emissions (expressed in CO₂-equivalent terms) are generally reached later in the century (Climate Analytics, 2025).

Box 2.1: Formulation of global climate ambition over time

International climate goals prior to the 2015 Paris Agreement did not use the language of “net zero,” but framed ambition around stabilizing GHG concentrations and percentage emission cuts. Since the early 1990s, focus has shifted from an abstract concentration objective to quantified reductions for a subset of countries, and finally to time-bound net-zero goals anchored in a finite global carbon budget.

- **UN Framework Convention on Climate Change (UNFCCC)** in 1992 set the original global ambition as the stabilization of GHG concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system. This strategically high-level formulation defined direction (avoid dangerous interference) and the means (stabilize concentrations) without specifying a temperature limit or year.
- **The 1997 Kyoto Protocol** translated the UNFCCC’s broad objective into legally binding emission-reduction commitments for industrialized (Annex I) Parties, expressed as percentage reductions below 1990 levels over a fixed commitment period (e.g., 8% for the EU, 7% for the US, 6% for Japan from 2008 to 2012). Ambition in this era was articulated as near-term percentage cuts for a subset of countries, not as a global long-term balance between sources and sinks. While Kyoto pioneered carbon markets and national targets, it did not explicitly link reductions to a global temperature limit or to the goal of reaching net-zero emissions.
- **The Cancun Agreements (UNFCCC, 2010) and the Paris Agreement (UNFCCC, 2015)** saw Parties adopt a long-term temperature goal (well below 2°C, pursuing 1.5°C) and commit to “a balance between anthropogenic emissions by sources and removals by sinks” in the second half of the century (UNFCCC, 2015). Net zero thus became the focal expression of ambition.

This evolution reflects growing scientific understanding of cumulative CO₂ emissions and warming alongside the warming effects of other GHGs, as well as the need for a simple, operational end-state (net zero) to guide national, subnational and institutional strategies.

II. OPERATIONALIZATION AT THE REGIONAL, NATIONAL, AND SUBNATIONAL LEVELS

In practice, the definition of net zero has been adapted to regional and national contexts.

Countries and regions set net-zero goals through the lens of their own development priorities, political and financial structures, and sectoral realities.³ As highlighted in the IPCC Sixth Assessment Report (AR6), pathways to net zero vary significantly across sectors and regions, and the timing and distribution of effort can differ accordingly

³ While NDCs are the core instrument for countries’ commitments under the Paris Agreement, they do not uniformly translate into net-zero targets. Parties have not agreed on a single year for reaching net zero, and many NDCs are not aligned with a 2050 net-zero horizon; collectively, current NDCs are therefore not necessarily a direct operationalization of net zero as conceptualized in the Paris Agreement, though some countries use NDCs alongside longer-term strategies (UNFCCC, 2026).

(IPCC, 2023). The concept and related emission-reduction targets are operationalized alongside other integrated goals, such as economic growth, equity, and energy security. Accordingly, the adoption and implementation of net-zero targets are strongly shaped by equity considerations, historical responsibility, and national capacities (IPCC, 2023). At the same time, policy discourse increasingly focuses on the role of CO₂ removal in achieving net-zero outcomes, particularly for balancing residual emissions from hard-to-abate sectors and for addressing potential temperature overshoot (Down to Earth, 2024). The substance of net-zero policy therefore varies, with each nation setting goals and pathways to fit domestic imperatives while upholding the scientific imperative of balancing emissions and removals. Table 2.1 summarizes key terms used to define and refer to “net zero” at the global, regional, national and subnational levels.

Table 2.1: Summary of net zero terms at the global, regional, national and subnational levels

Term	Description	Source
Climate neutrality	Concept of a state in which human activities result in no net effect on the climate system. Achieving such a state would require balancing residual emissions with emission (carbon dioxide) removal as well as accounting for regional or local biogeophysical effects of human activities that, for example, affect surface albedo or local climate.	IPCC, 2022b
Net-zero CO ₂ emissions	Net-zero carbon dioxide (CO ₂) emissions are achieved when anthropogenic CO ₂ emissions are balanced globally by anthropogenic CO ₂ removals over a specified period. Net-zero CO ₂ emissions are also referred to as carbon neutrality.	IPCC, 2022b
Net-zero emissions	Net-zero emissions are achieved when anthropogenic GHG emissions to the atmosphere are balanced by anthropogenic removals over a specified period. When multiple GHGs are involved, quantifying net-zero emissions depends on the climate metric used to compare emissions of different gases (such as global warming potential, global temperature change potential, and others), as well as the chosen time horizon.	IPCC, 2022b

In the European Union (EU), the 2025 European Climate Law enshrines the goal of an EU-wide economy with net-zero GHG emissions by mid-century (EU, 2025a). This commitment requires all member states to collectively achieve a balance between sources and sinks by 2050. The EU’s net-zero target is backed by an interim milestone (an at least 55% reduction in GHG emissions from 1990 levels by 2030) (EU, 2025b) and a detailed regulatory architecture to drive deep decarbonization across sectors (EU, 2025c). The goal is legally binding and effectively defines net zero at the supranational level.

In North America, the operationalization of net zero has been strongly shaped by federal governance structures, energy security priorities, and the political economy of infrastructure and industry. Canada is operationalizing net zero through an explicitly legislated Net-Zero Emissions Accountability Act, which establishes the 2050 goal and formalizes planning and transparency requirements (Government of Canada, 2021). Canada also links the end-state to interim implementation architecture, including a sector-by-sector 2030 Emissions Reduction Plan (Government of Canada, 2022) aligned

with net zero by 2050, and an economy-wide carbon pricing benchmark that increases the minimum carbon price through 2030. Prior to the most recent exit of the United States (US) from the Paris Agreement in January 2026 and the subsequent dismantling of the net zero policy architecture, net zero was articulated as an economy-wide objective in the country's Long-Term Strategy (UNFCCC, 2021a), which framed net zero as a balance between remaining emissions and removals by 2050, relying on rapid power-sector decarbonization, electrification, clean fuels, and CO₂ removal to address residual emissions in hard-to-abate sectors.

China has established a long-term carbon neutrality target before 2060. The country is responsible for a large share of current global energy-related emissions and simultaneously represents the main driver of global renewable energy growth. In 2020, China adopted “dual carbon” goals of peaking CO₂ emissions before 2030 and achieving carbon neutrality before 2060, with a strong emphasis on building a new energy system dominated by low-carbon sources (Dong et al., 2021). These long-term targets are being operationalized through successive Five-Year Plans (Central Government of China, 2025a) and sectoral guidance (for example, in the power, steel, and transport sectors) (Central Government of China, 2025b).

In Latin America and the Caribbean, net-zero targets are often framed within a broader agenda of resilience, social inclusion, and biodiversity protection. Regional policymakers view climate action as intertwined with sustainable development and poverty reduction. For example, the Inter-American Development Bank (2024) emphasizes enabling a transformation toward a climate-resilient, biodiversity-positive, and net-zero region. Similarly, the OECD (2023) notes that biodiversity conservation and nature-based solutions offer multiple benefits for climate action, reinforcing regional understanding that decarbonization and ecosystem protection must advance together. This framing is reflected in national commitments. For example, Brazil's NDC 3.0 (Government of Brazil, 2024) describes a transition toward a net-zero GHG economy by 2050, in which land use, forests, and nature-based approaches are central to decarbonization. Meanwhile, Mexico's NDC 3.0 (SEMARNAT, 2025) explicitly incorporates implementation and equity-related components, establishing as a central pillar the mainstreaming of an intersectional gender perspective and the guarantee of substantive equality and women's rights, backed by robust monitoring mechanisms.

Across Africa, emerging net-zero targets align with the African Union's Agenda 2063, which calls for economic transformation in harmony with climate priorities, including low-carbon growth and resilience (AB & David, 2025). This “development-first” orientation is evident at the country level, where net-zero initiatives often include components such as renewable energy expansion, climate-smart agriculture, and disaster preparedness alongside long-term emissions targets (African Union, 2025). For example, South Africa's Low Emission Development Strategy 2050 (Government of South Africa, 2020) sets out a low-emission, climate-resilient pathway toward net-zero carbon emissions by 2050, emphasizing social outcomes alongside decarbonization. Other major African economies have set different timelines but similarly connect net zero to development needs. For example, Nigeria's Energy Transition Plan (Government of Nigeria, 2025) outlines a pathway to net zero by 2060 that foregrounds jobs, clean cooking, and power-sector transformation.

In ASEAN and wider South Asia, the operationalization of net zero is closely tied to development priorities, rapid power demand growth and the realities of coal- and gas-dependent energy systems. At the regional level, ASEAN operationalizes its transition through a shared energy-policy architecture rather than a single net-zero law. The ASEAN Plan of Action for Energy Cooperation 2026–2030 (ACE, 2025) sets measurable regional energy transition targets translating long-term decarbonization goals into concrete, near-term energy system shifts: 30% renewables in total primary energy supply and 45% renewables in installed power capacity by 2030, alongside a 40% reduction in energy intensity (from 2005 levels). At the country level, Indonesia has operationalized its goal of peaking national GHG emissions in 2030 and progressing toward net-zero emissions by 2060 or sooner through a power-sector transition and wider economy-wide measures (UNFCCC, 2021b), while India’s net-zero target for 2070 is underpinned by principles of equity and climate justice in its Long-Term Low-Carbon Development Strategy (Government of India, 2022). India’s interim goals include a large expansion of non-fossil electricity capacity and a reduction in the emissions intensity of GDP by 2030.

Subnational governments also play an important role in operationalizing net zero, particularly where they have authority over energy, transport, land use, industry, or carbon pricing. One prominent example is California’s Cap-and-Invest Program (formerly the Cap-and-Trade Program), which sets declining limits on major sources of climate pollution and supports the state’s long-term emission-reduction goals (California Air Resources Board, 2026). Scotland also illustrates how devolved governments can translate net-zero goals into statutory targets and carbon budget planning, with a legal commitment to reach net-zero GHG emissions by 2045 (Net Zero Scotland, 2026), which is more ambitious than the UK-wide target of net-zero GHG emissions by 2050.

III. OPERATIONALIZATION AT THE INSTITUTION LEVEL

Organizations translate the net-zero concept into concrete targets, portfolio metrics, and governance arrangements. Net zero becomes an operational goal that must be embedded in decision-making and oversight for corporations and financial institutions. A growing number have set net-zero commitments, measuring their carbon footprints, and adjusting strategies to align with climate goals. By the end of 2021, 769 of the world’s largest 2,000 corporations had set some form of net-zero target (ECIU, 2021). CPI’s Net Zero Finance Tracker shows that 487 of the world’s 1,500 largest financial institutions had set a net-zero or long-term mitigation target as of 2024 (NZFT, 2026).

Target-setting standards, such as the Science-Based Targets initiative (SBTi), enable institutions to set credible net-zero goals. SBTi is a central standard-setter translating the Paris Agreement’s temperature goals into actionable pathways for companies and financial institutions. The initiative provides methods and benchmarks for entities to set emission-reduction trajectories in line with limiting warming to 1.5°C. In 2021, it launched the world’s first Corporate Net-Zero Standard (SBTi, 2021), giving companies a blueprint for aligning their long-term strategies with climate science (SBTi, 2025a). Thousands of companies have since set targets through the SBTi, aligning their near- and long-term emissions cuts with the required global pathways. In parallel, SBTi has extended its standards to financial institutions, creating methodologies for banks, asset managers, and insurers to set portfolio emissions targets consistent with net zero. Table 2.2 summarizes key terms used to define and refer to “net zero” at institutional levels.

Table 2.2: Summary of net zero terms at the institutional level

Term	Description	Source
Net zero	A state in which a company has reduced its GHG emissions ⁴ to the residual levels defined by net-zero pathways and neutralizes those remaining emissions, achieving and maintaining this balance at its net-zero target year and beyond.	SBTi, 2025b
Net-zero achieved counterparty	A counterparty that has reached zero or net-zero emissions, and whose activities do not result in the accumulation of GHGs in the atmosphere, i.e., existing residual emissions have been neutralized.	SBTi, 2025b
Net-zero aligned counterparty	A counterparty that has reduced emissions across its operations and value chains to reach residual emissions levels consistent with a net-zero pathway.	SBTi, 2025b

In the financial sector, coalitions and alliances have been key to operationalizing net zero across institutions. Notably, the Glasgow Financial Alliance for Net Zero (GFANZ) launched in 2021 as an umbrella for several industry-specific net-zero alliances (covering banks, asset managers, asset owners, insurers, etc.). These finance-sector alliances provide a framework to operationalize net zero by driving collective action and accountability. Members commit to achieving net-zero GHG emissions across their investment or lending portfolios by 2050, with interim targets around 2030. Complementing these collective commitments, investor-led guidance such as the IIGCC Net Zero Investment Framework (IIGCC, 2024) provides more detailed implementation approaches across different asset classes.

2.2 APPLYING NET ZERO PRINCIPLES TO FINANCIAL FLOWS

2.2.1 DEFINING NET-ZERO FINANCE

Financial flows aligned with a net-zero pathway refer to capital mobilized to aid the objective of achieving and maintaining net-zero. In the context of financial flows, this paper uses SBTi's definition of net zero: "A state in which a company [/institution] has reduced its GHG emissions to the residual levels defined by net-zero pathways and neutralizes those remaining emissions, achieving and maintaining this balance at its net-zero target year and beyond" (SBTi, 2025b). Net zero finance intersects closely with terms such as mitigation finance, as explained in Box 2.2.

⁴ SBTi defines GHGs using the corporate emissions-accounting list: CO₂, CH₄, N₂O, HFCs, PFCs, SF₆ and NF₃. This is narrower than the broader IPCC climate-science definition, which also includes gases such as water vapor and ozone.

Box 2.2: Net-zero finance vs. mitigation and adaptation finance

No published formal taxonomy distinguishes net zero finance and GHG mitigation finance. These categories overlap heavily, and the absence of a widely adopted boundary illustrates that “net zero” is still being operationalized inconsistently across institutions. This fuzziness is recognized in the literature, with concerns that unclear definitions create incoherence when aligning financial flows with decarbonization pathways (ODI, 2012; UNEP FI, 2024a).

Net zero is best understood as the quantified end-state that mitigation finance aims to achieve, which makes “finance for net zero” mitigation-oriented, even when framed as a distinct label. Mitigation finance is typically defined as capital committed to reducing or preventing GHG emissions, while net zero specifies the destination: a balance achieved between emissions and removals (CPI, 2025). The divergence lies in how ambitious and time-bound the objectives are for mitigation versus net zero: mitigation can describe incremental emissions reductions without specifying a final equilibrium, whereas net zero implies a permanent endpoint and a pathway to achieve it. UNEP FI’s framing of a “Climate Mitigation Journey” similarly positions mitigation actions as the progression through which net-zero alignment is pursued (UNEP FI, 2024a).

Nevertheless, finance for net zero is also closely related with adaptation, resilience, and justice because the pace and quality of decarbonization shape future climate damages and distributional outcomes. Even if net zero is reached, climate impacts already locked in will drive the need for adaptation and loss-and-damage finance, meaning investment requirements extend beyond the moment of net-zero achievement. The literature has highlighted how net zero agendas can leave blind spots regarding resilience and climate justice, especially when targets prioritize aggregate emissions metrics without addressing who bears transition costs, who benefits, and how vulnerability is reduced (Bevan, 2021; Khosla et al., 2023). In operational terms, many real-economy investments deliver both mitigation and adaptation benefits (e.g., nature-based solutions, resilient infrastructure, climate-smart agriculture), making them naturally intertwined.

Creating a common language across stakeholders and ensuring credible measurement of emissions are crucial to aligning financial flows with net zero. This alignment is principally enabled by tools including taxonomies, which qualify “what counts” as net zero, and methodologies,⁵ which provide quantitative rubrics for measuring the impact of action, as explored further in Sections 2.2.2 and 2.2.3.

⁵ ‘Standards’ are another ubiquitous tool for enabling capital alignment with net zero. Standards incorporate both qualitative and quantitative elements, situating them between taxonomies and methodologies. While taxonomies classify activities (qualitative) and methodologies quantify alignment or emissions (quantitative), standards specify the expectations organizations must meet, often blending governance requirements with numeric disclosures, making them relevant to both pillars of this conceptual distinction. Standards’ flexibility is captured by their dynamism, with nascent markets moving from qualitative to more quantitative standards over time, as methodologies and data provision mature (Rouen et al., 2022; Pandey, 2023).

Net-zero taxonomies⁶ provide standardized, common frameworks and technical criteria that define net-zero-aligned activities for financial institutions, governments, and corporations. By defining which activities will help achieve the 1.5°C target, these taxonomies can guide capital toward solutions that are net-zero aligned, reduce greenwashing risks, and lower transaction costs by reducing the time, effort and uncertainty involved in evaluating, structuring and monitoring green investments.

Net-zero methodologies provide a rubric for consistent measurement and reporting, enabling emissions reporting, assessing alignment with transition pathways, and monitoring progress over time. Without established methodologies, any progress toward net zero could not be tracked consistently and verifiably. Methodologies ensure that reporting and assessments are comparable and replicable (TCFD, 2021; SBTi, 2025a).

2.2.2 QUALIFYING NET-ZERO FINANCE

This literature review adopts the broad, conceptual framework of qualifying and quantifying net-zero finance—that is, “what counts” and “how much”. These two critical principles are addressed through taxonomies and methodologies. As is explained further in Section 2.2.3, the quantification of net-zero finance differs from other forms of finance (e.g., nature-positive flows) explored within this literature review, given the difference in defining overall objectives and how progress against these objectives is assessed.

Achieving net zero requires clarifying which investments and activities count as net-zero-aligned and measuring the emissions that need to be avoided or reduced. Table 2.3 details the extensive array of taxonomies that provide qualitative criteria for what counts as net-zero-aligned, some of which were briefly mentioned in Section 2.1.2 above.

The multitude of net-zero taxonomies, spanning geographies, sectors, institutions, and iterations, might be viewed as in conflict to the standardization and coherence required for taxonomies to be effective. However, due to the heterogeneity of activities, sectors, institutions, actors, and contexts—each with varying needs, capacities, and levels of flexibility—different geographies must adjust in their own ways to achieve net-zero alignment. With scant evidence to support the effectiveness of single-model net-zero taxonomies (Marchewitz et al., 2024; OECD, 2020a), bespoke and specialized approaches address the need for context-specific responses.

The iterative nature of net-zero taxonomies enables them to remain context-relevant over time. For example, the ASEAN Taxonomy for Sustainable Finance is in its fourth phase, and Indonesia’s forthcoming *Taksonomi untuk Keuangan Berkelanjutan Indonesia* (*Taxonomy for Sustainable Finance in Indonesia*) will be the third version since 2022. Iteration helps to ensure that guidance remains relevant and aligned with technological developments and data availability.

Context-responsiveness is also achieved by the plurality of regional and country-specific taxonomies. However, national taxonomies also feature key gaps, variously including enforcement provisions or omissions of certain sectors and solutions (CBI & CPI, 2025).

⁶ While this literature review uses the term “net zero taxonomies,” given the specific scope of this research, the terms “green” or “sustainable finance” taxonomies are more prevalent. ‘Net zero taxonomies’ are understood to be the same as these other titles: namely, a taxonomy that contributes to the net reduction of emissions. See Box 2.2 for additional clarification on terminology.

Given that national taxonomies reflect the sensitivities and barriers in their jurisdictions' political economies, their content is shaped by social and political considerations beyond net zero (Begemann et al., 2025; OECD, 2020a). Their veracity as purely scientific and technical guidelines is undermined by this reality.

Given the multitude of vested interests, range of divergences of policy objectives and legal frameworks, net-zero taxonomies are rarely deployed beyond national jurisdictions (OECD, 2020a). While supranational frameworks like the EU and ASEAN taxonomies offer a pathway for taxonomy interoperability, their interface with taxonomies beyond their jurisdictions face obstacles when it comes to comparability. Asymmetries between jurisdictional taxonomies can complicate trade and flows of capital, with large initiatives underway to enable standardization and interoperability in order to enhance their wider effectiveness (CBI, 2025). These include the Roadmap for Advancing Interoperability and Comparability of Sustainable Finance Taxonomies, launched at COP29 (SBFN, 2024) and regionally focused programs such as UNEP FI's Common Framework for Sustainable Finance Taxonomies for Latin America and the Caribbean (UNEP FI, 2023). Greater interoperability between jurisdictions would allow taxonomies relevant to net zero to drive emission reductions across multiple national and local contexts, rather than relying on a single globally harmonized framework.

Table 2.3: Key net zero-relevant taxonomies (non-exhaustive list)

Taxonomy	Region	Issue date	Overview
International organization-led			
Joint MDB-IDFC Common Principles for Climate Finance Tracking (Mitigation/Adaptation)	Joint MDB groups; IDFC	2015 (updated periodically)	Framework to harmonize tracking of climate mitigation and adaptation finance. Defines what qualifies as climate-aligned investment with eligible lists of activities.
OECD Rio Markers for Climate	OECD countries	1998 (updated 2016)	System for tracking climate-related development finance flows. Uses a tiered scoring method to assess the level of contributions to climate mitigation and adaptation, widely adopted by donors and MDBs.
Industry or investor initiatives-led			
Climate Bond Taxonomy	Global	2013	A science-driven classification of assets and projects compatible with a low-carbon economy; used by CBI to assess eligibility of bonds and debt instruments for certification, with sector-criteria and traffic-light system.
Independent Science Based Taxonomy	Global	2022	Science-driven framework developed by independent research institutes and academia to define Paris-aligned sectoral thresholds for economic activities. Used as a neutral reference for aligning finance and corporate disclosures with net-zero pathways.
Climate Action 100+ Net-Zero Company Benchmark	Global	2021	Investor-led benchmark assessing high-emitting companies on net-zero targets, capex alignment and climate governance metrics.

Taxonomy	Region	Issue date	Overview
Government / country-led			
EU Taxonomy for Sustainable Activities	European Union	2020	Defines criteria for economic activities aligned with the EU Green Deal and net-zero 2050 target.
IPSF Common Ground Taxonomy (CGT)	European Union; China	2021	Maps overlapping green activities between EU and China taxonomies to facilitate cross-border green finance; first edition identified 72 shared activities.
ASEAN Taxonomy for Sustainable Finance 4.0	Southeast Asia	2025	Regionally aligned yet flexible framework that classifies economic activities based on their contribution to climate and environmental objectives, while accommodating diverse national transition pathways and development priorities across Southeast Asia.
Indonesia Green Taxonomy 2.0	Indonesia	2025	Classifies economic activities using a traffic-light model (green, yellow = transition, red); supports net-zero 2060 commitment.
South African Green Finance Taxonomy (1st Ed.)	South Africa	2022	Defines eligible green activities to guide investors and reduce greenwashing; aligned with EU criteria and local priorities.
Mexico Sustainable Finance Taxonomy	Mexico	2023	Covers environmental and social objectives across 124 activities to align capital flows with Mexico's net-zero 2050 and social goals.
Colombia Green Taxonomy	Colombia	2022	First Latin American green taxonomy; aligned with EU standards and guides green bond issuance for national climate goals.
China Green Bond Endorsed Projects Catalogue (2021)	China	2021	Official taxonomy for green bond eligibility; 2021 update removed "clean coal" and aligned criteria with global standards to support 2030/2060 climate goals.
Japan Basic Guidelines on Climate Transition Finance	Japan	2025	Government guidelines for transition bonds and loans; require credible decarbonization plans and sector-specific roadmaps aligned with Paris targets.
Malaysia Climate Change and Principle-Based Taxonomy (CCPT)	Malaysia	2021	Central bank taxonomy for banks with five classification tiers (from Climate-Supporting to Prohibited); includes a "Transitioning" category.
Thailand Taxonomy	Thailand	2025	Traffic-light classification (Green / Amber / Transitional / Red) of economic activities aligned with net zero by 2050; initially covers energy & transport sectors, later expanded to six sectors.
Sri Lanka Green Finance Taxonomy	Sri Lanka	2022	National green finance taxonomy covering climate mitigation & adaptation and ecological conservation; developed by Central Bank of Sri Lanka with IFC support.
K-Taxonomy (Korea Green Taxonomy)	South Korea	2021	Korean national green taxonomy distinguishing between "green sector" and "transition sector"; sets out six environmental objectives and technical/eligibility criteria.

Taxonomy	Region	Issue date	Overview
SingaporeAsia Taxonomy for Sustainable Finance	Singapore	2023	Multi-sector taxonomy with Green, Amber (Transition) and Ineligible tiers; first of its kind in Asia; supports Singapore's role as green finance hub.
Rwanda Green Taxonomy	Rwanda	2024	Framework to define green investments, support green bonds/loans, manage environmental risks and guide capital allocation toward sustainable tangible assets.
Australia Sustainable Finance Taxonomy	Australia	2025	Australia's sustainable finance taxonomy, voluntary, focused initially on climate change mitigation; intended to guide investment classification.

2.2.3 QUANTIFYING THE PROGRESS OF NET-ZERO FINANCE

Methodologies to track net-zero finance provide quantitative rules for measuring financed emissions, enabling the actual impact of finance flows to be measured and compared. Given the quantitative nature of net zero, methodologies are the second critical pillar of aligning financial flows to net zero.⁷

While other finance categories explored in this literature review focus on *ex-ante* quantification—how much finance can be counted based on predefined criteria—net zero finance is primarily assessed *ex post*, functioning as a form of impact measurement. This reflects the fundamental distinction discussed in Box 2.2: that net zero is a quantified end-state (a balance of emissions and removals), so its measurement depends on outcomes achieved, whereas other finance types are defined by the characteristics of activities or investments at the point of allocation. Therefore, the methodologies presented in this section enable the quantification of progress toward net zero.

Capital holders rarely generate emissions themselves. Rather, emissions are generated by their investees and clients in their downstream portfolios. To ensure transparency and accountability, institutions are required to make explicit their rationale for implementing their chosen methodology, allowing outcomes to be contextualized and compared like-for-like (UNEP FI, 2025a).

Unlike taxonomies, methodologies are inflexible with strict calculation guides to measure impact. They require actual project data to be used, which is normally generated during or after project implementation. This provides a further distinction from taxonomies, whose eligibility criteria are used to inform investment decisions or project implementation in advance (and which may still include quantitative criteria). Comparability and replicability can still be achieved despite the multitude of methodologies utilized by institutions (listed in Table 2.4).

Several ongoing initiatives to operationalize and implement structured methodological frameworks to define portfolio-level alignment with net-zero pathways demonstrate

⁷ In practice, taxonomies have primarily been developed by public sector agencies to create classification frameworks that steer capital and standardize definitions of sustainable activities, while methodologies have largely been operationalized and adopted by private sector institutions to measure and align portfolios with net-zero pathways. However, the boundary between the two is increasingly blurred, as regulators reference private methodologies in disclosure and reporting requirements and taxonomies incorporate quantitative performance thresholds into their technical criteria (OECD, 2020a).

that methodologies go beyond just academic or technical accounting tools. They also evidence widespread institutional adoption and engagement with net-zero finance pathways. Examples of such initiatives include UNEP FI's work with the Net Zero Asset Owner Alliance (UNEP FI, 2024b) and Forum for Insurance Transition (UNEP FI, 2025b).

Table 2.4: Key net-zero finance methodologies (non-exhaustive list)

Actor / counterparty type	Alignment metric	Methodology	Version	Necessary achievement / score
Non-SME Corporate Entity	Entity-level certification / validation	Climate Bonds Standard (CBS) Entity Certification	2024	Level 2 emissions ⁸
		SBTi Target Status (for corporates or FIs)		1.5°C-validated targets only
	Implied Temperature Rise metrics	CDP-WWF Temperature Scoring Methodology	Version 1.5, 2024	1.5°C
		MSCI Implied Temperature Rise	2024	1.5°C
		RMI PACTA	Version 2, 2021	Sector-specific pathways (e.g., 1.5°C or 2°C scenarios)
		Sustainalytics Low Carbon Transition Ratings	Version 1.4, 2024	1.5°C
	Other entity-level assessments	Transition Pathway Initiative (TPI) Methodology for Management Quality & Carbon Performance	Version 5.0, 2023	Carbon Performance Indicator: 1.5°C medium-term alignment
		Moody's Net-Zero Assessments	2024	Ambition Score of 1.5°C
		WBA ACT (Assessing Low-Carbon Transition) Methodologies	Multiple versions (see note)	At least "2a. committed" ⁹ status
		MSCI NZIF Assessment	2025	At least "aligning"
		Trucost Paris Alignment	2025	1.5°C
SME	Other entity-level assessments	SBTi Target Status	SBTi versions that require 1.5°C-aligned targets	1.5°C-validated targets only

8 Emissions levels 1, 2, and 3 under the Greenhouse Gas Protocol categorize a company's GHG footprint. Level 1 emissions are direct from sources the company owns or controls; Level 2 emissions are indirect from the generation of energy that the company purchases and uses; and Level 3 are all other indirect emissions in the value chain, both upstream and downstream (GHG protocol, 2022).

9 "Category 2a. Committed" is a specific rating within the ACT. This status indicates that a company is "Transitioning in a credible and robust way" by meeting specific criteria, including performance scores and a strong narrative commitment to low-carbon transition.

Actor / counterparty type	Alignment metric	Methodology	Version	Necessary achievement / score
Entity / Asset / Project	Benchmark divergence	Pegasus Guidelines for the Aviation Sector	2024	At or below sector benchmark
		Poseidon Principles (Shipping Sector)	Version 5.1, 2024	At or below sector benchmark
		Sustainable Steel Principles (Steel Sector)	2023	At or below sector benchmark

Table adapted from SBTi (2025c).

3. NATURE POSITIVE

3.1 EVOLUTION AND DEFINITION OF NATURE-POSITIVE

To understand the increasing use of the term “nature positive”, it is useful to trace the evolution of related concepts since the adoption of the UN Convention on Biological Diversity (CBD) in 1992 (see Figure 3.1 for details):

1990s to early 2000s – Foundations of global biodiversity targets, widespread adoption of mitigation hierarchy concept

The UN CBD, adopted in 1992, gave rise to a global understanding of the importance of biodiversity, committing to achieving by 2010 a “significant reduction of the current rate of biodiversity loss at the global, regional and national level as a contribution to poverty alleviation and to the benefit of all life on Earth.” The Business and Biodiversity Offsets Program (BBOP) was then created in 2003 to promote the concept of mitigation hierarchy (see Figure 3.2), consisting of the avoidance of negative biodiversity impacts (avoidance, mitigation, restoration) and the pursuit of positive biodiversity impacts (offsetting) to achieve net-positive biodiversity impacts (BBOP, 2018a; IUCN, 2015). Biodiversity offsets aimed to achieve no net loss (NNL), and preferably net gains, of biodiversity—principles that remain relevant to the definition and implementation of nature positivity today.¹⁰ NNL of biodiversity refers to an overarching goal for all environmental impacts in a broad jurisdiction, or an impact-specific policy goal achieved through biodiversity offsets (Maron et al., 2018). On the other hand, biodiversity net gains refers to a target for project outcomes in which the impacts on biodiversity are outweighed by the actions taken to avoid and reduce such impacts, rehabilitate affected species/landscapes and offset any residual impacts (IUCN, 2015). While NNL gained significant traction as a necessary requirement during this phase, the net gains principle was understood as an aspirational ideal. In 2006, the IFC Performance Standards were launched, with Performance Standard 6 (PS6) on Biodiversity Conservation introduced as the first global finance standard requiring developers to apply mitigation measures and achieve NNL of biodiversity *where feasible*, effectively embedding NNL into development lending criteria (IFC, 2006).

2010s – Tangible and detailed global biodiversity plans emerge, biodiversity offsets are increasingly mainstreamed in policy and business

The Aichi targets, established by the CBD in 2010, represent a turning point in the pursuit of tangible biodiversity goals. Commitments are quantified, for example, by aiming to at least halve the rate of natural habitat loss, protect 17% of land and 10% of oceans, and restore ecosystems by 2020 (CBD, 2020b). The use of biodiversity offsets to achieve NNL continues to be widely accepted beyond projects and these are integrated into lending

¹⁰ “No Net Loss” (NNL) of biodiversity is defined in the IFC Performance Standards as the state in which any negative project-related impacts on biodiversity are balanced by measures taken to avoid and minimize a project’s impacts, as well as on-site restoration and offsetting of significant residual impacts. “Net Gains” of biodiversity is defined as measurable and additional conservation outcomes, and a net gain of biodiversity is required for projects in critical habitats (IFC, 2006).

criteria, business, and policy shifts. IFC PS6 continues to mention that project finance should include NNL of biodiversity where feasible and the latest version *explicitly requires* net gains in critical habitats and references the mitigation hierarchy.¹¹

Early 2020s-present – A shift in language: the rise of the “nature-positive” narrative and working toward a nature-positive world

The first global assessment report by the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) marks a turning point in the sense of urgency and concept of “bending the curve” (IPBES, 2019). “Nature” starts being used as overarching term that is broader than “biodiversity” (see Box 3.1). “Nature positive” also emerges in the global policy lexicon following the call of the Leader’s Pledge for Nature for “net-positive outcomes for nature” (CBD, 2020a). The G7 also embraces the goal to “halt and reverse biodiversity loss by 2030” and become “nature-positive”, building on the G7 Metz Charter on Biodiversity and the Leaders’ Pledge for Nature in lead up to COP15 (GOV.UK, 2021a). In 2021, the Dasgupta Review on the Economics of Biodiversity calls for a fundamental change in how we measure economic success to account for nature’s value, explicitly advocating for moving to a nature-positive economy to avoid catastrophic biodiversity loss (GOV.UK, 2021b). In 2022, the first multilaterally agreed definition of nature-based solutions appeared in the United Nations Environment Assembly resolution, which established nature-based solutions as “protect, conserve, restore, sustainably use and manage natural or modified terrestrial, freshwater, coastal and marine ecosystems which address social, economic and environmental challenges effectively and adaptively, while simultaneously providing human well-being, ecosystem services, resilience and biodiversity benefits”(United Nations Environment Assembly, 2022).

Notions of reversing nature loss gained traction, culminating in the Kunming-Montreal Global Biodiversity Framework (GBF). While leaving out the term “nature-positive” in its final text due to concerns around the lack of a clear definition, the GBF officially marked the shift from preventing harm to actively improving the state of biodiversity and nature with specific timeframes. To counter the proliferation of definitions and the dilution of the term nature-positive from “overall net gain in biodiversity” to “any action that benefits nature,” the Nature Positive Initiative was launched in 2023 by a coalition of NGOs, business organizations, and research institutions (Milner-Gulland, 2022; NPI, 2026). The Initiative defines nature positive as “halting and reversing nature loss by 2030 from a 2020 baseline, with full ecosystem recovery by 2050”. In doing so, it aligns with the GBF timeframe while adding a baseline year. The definition of nature-positive continues to evolve and sharpen, informing environmental policies, biodiversity action plans, and financing frameworks.

¹¹ The mitigation hierarchy is a framework used to manage environmental impacts by prioritizing actions in a sequential order: first avoid impacts, then minimize them where avoidance is not possible, restore or rehabilitate affected ecosystems, and finally offset any residual impacts as a last resort. Its aim is to achieve no net loss- or ideally a net gain – of biodiversity and ecosystem integrity. More details are provided in Section 3.2.2.i.

Figure 3.1: Timeline of the evolution of biodiversity, nature, and nature-positive discourse

Phase 1: 1990s to early 2000s Foundations of global biodiversity targets, widespread adoption of mitigation hierarchy concept	1992	Adoption of the Convention on Biological Diversity
	2003	Creation of Business and Biodiversity Offsets Program (BBOP)
	2006	First launch of IFC Performance Standards
	2009	BBOP launches Principles of Biodiversity Offsets
Phase 2: 2010s Tangible and detailed global biodiversity plans emerge, biodiversity offsets are increasingly mainstreamed in policy and business	2010	Aichi Biodiversity Targets adopted
	2012	IFC publishes revised Performance Standard 6, IPBES created
	2015	UN SDGs adopted, which include calls for halting biodiversity loss
	2016	IUCN adopts formal policy on Biodiversity offsets, endorsing NNL and net gain concepts
Phase 3: Early 2020s-present A shift in language: the rise of the “nature-positive” narrative and working toward a nature-positive world	2019	IPBES First Global Assessment
	2020	Leaders' Pledge for Nature
	2021	Launch of G7 2030 Nature Compact and Dasgupta Review on the Economics of Biodiversity
	2022	Adoption of Kunming Montreal Global Biodiversity Framework
	2023	Launch of the Nature Positive Initiative

Box 3.1: Disentangling nature and biodiversity

The Kunming–Montreal Global Biodiversity Framework (GBF), adopted by 196 Parties in 2022, is the main set of global goals related to nature, including financing. However, the 2030 vision, 2050 mission, and corresponding goals and targets outlined in the GBF include more references to “biodiversity” than “nature”. While the terms are deliberately used in the GBF, the concepts are often used interchangeably elsewhere and can lack clarity on what they encompass.

To clearly distinguish between the concepts, this report refers to biodiversity as defined by the CBD, and nature as defined by the International Union for Conservation of Nature (IUCN):

- CBD (2006):** Biodiversity—a contraction of the terms “biological diversity” or “biotic diversity”—refers to the variability among living organisms from all sources, including, inter alia, terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are part; this includes diversity within species, between species and of ecosystems. **In other words, biodiversity is the part of nature that is alive and includes every living thing on Earth (CBD, 2022a).**
- IUCN (2025a):** Nature is defined as “encompassing both the non-living components (i.e., geodiversity) and the living components (i.e., biodiversity) of the natural world”. **In other words, nature is all life on Earth (i.e., biodiversity), together with the geology, water, climate and all other non-living (i.e., abiotic) components that comprise our planet.**

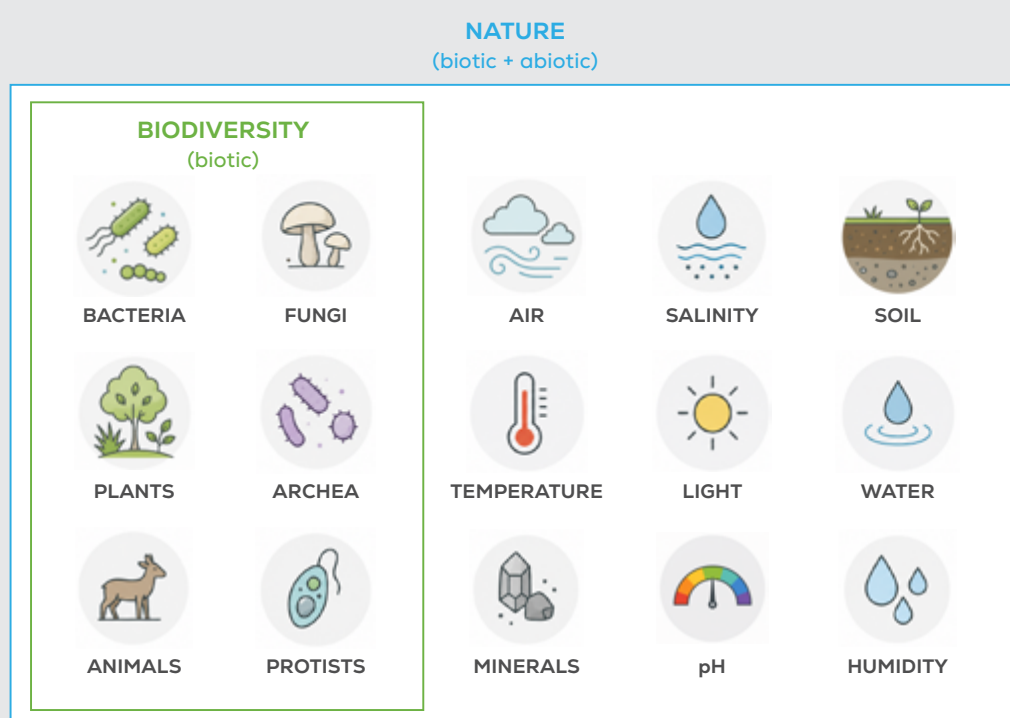
As such, “nature” is broader than “biodiversity”, embodying concepts such as Mother Earth and systems of life in addition to biodiversity (CBD, 2022b). According to some jurisdictions, nature or Mother Earth may also have legal personhood as natural entities that can be represented in court. This thinking is reflected in the GBF narrative, as well as the IPBES definition of nature:

- **IPBES:** Nature “refers to the natural world with an emphasis on its living components. Within the context of western science, it includes categories such as biodiversity, ecosystems (both structure and functioning), evolution, the biosphere, humankind’s shared evolutionary heritage, and biocultural diversity. Within the context of other knowledge systems, it includes categories such as Mother Earth and systems of life, and it is often viewed as inextricably linked to humans, not as a separate entity (see Mother Earth)” (Díaz et al., 2015).

The concepts of “natural capital” and “ecosystem services” were developed as governments and the private sector advanced efforts to quantify nature and its services for humanity. While these terms have been most used in reference to biotic nature, in part due to the undifferentiated use of nature and biodiversity as synonyms, “natural capital” is considered in academic circles as including abiotic nature, whereas “ecosystem services” is developed primarily around biotic nature (IUCN, 2025a).

Biodiversity is crucial in the provision of ecosystem services since ecosystems’ functioning, and thus their ability to provide services, is strongly influenced by variability in species as well as the quantity and distribution of all three components of biodiversity (genes, species, ecosystems). The four categories of ecosystem services are: provisioning, regulating, cultural, and supporting. On the other hand, natural capital includes both biotic and abiotic nature, and is defined as the “world’s stocks of natural assets which include geology, soil, air, water and all living things” (CBD, 2021).

Figure 3.2: Difference between biodiversity and nature



3.2 APPLYING NATURE-POSITIVE PRINCIPLES TO FINANCE

3.2.1 DEFINING NATURE-POSITIVE FINANCE

The GBF contains few references to “nature”, “nature finance”, or “nature-positive finance” due to concerns over terminology ambiguity, recognizing instead biodiversity finance needs,¹² and calling for an increase in total biodiversity-related international financial resources.¹³ While the GBF does not explicitly reference nature finance or nature-positive finance, the introduction of “nature-positive” terminology and increased discussions around a “Nature-Positive Global Goal for Nature” since the early 2020s (see Section 3.1) resulted in many organizations starting to use terms interchangeably, including “biodiversity finance”, “conservation finance”, “nature finance”, and “nature-positive finance” (Locke et al, 2021; NPI, 2024). Table 3.1 summarizes existing nature-finance terminologies and their definitions.

The MDB Common Principles for Tracking Nature Finance (MDB Common Principles) were published in 2023 to help multilateral development banks align on a definition of nature finance, which refers to finance that contributes to halting and reversing nature loss and supports the implementation of the GBF. The MDB Common Principles were updated in 2025 and now define nature-positive finance as the subset of nature finance that delivers measurable positive outcomes for biodiversity or ecosystem services, relative to business-as-usual (World Bank Group, 2025a).

Growing consensus around the distinction between nature finance and nature-positive finance has helped assuage concerns that “nature-positive finance” is being diluted to mean “any action that benefits nature” rather than requiring an “overall net gain in nature”, with the latter rooted in the application of the mitigation hierarchy at the project -level and value-chain level (Milner-Gulland, 2022; Maron et al., 2023). There is a strengthened understanding that nature-positive claims must be accompanied by measured biodiversity baselines, specific timeframes, targets, and actions, as well as analysis on how these actions contribute to net gains through regular monitoring and disclosure of progress.

¹² The UNDP Biodiversity Finance Initiative (BIOFIN) defines biodiversity finance as “the practice of raising and managing capital and using economic tools to support sustainable biodiversity management” (BIOFIN, 2024a). BIOFIN supported the development of national biodiversity finance plans since its inception, and included policy-based mechanisms, market-based mechanisms and fiscal incentives as financial solutions for biodiversity financing. As a result, “biodiversity finance” is understood to refer to a more comprehensive suite of economic instruments, including for example, biodiversity-relevant taxes, offsets, and payments for ecosystem services.

¹³ Target 19 of the GBF calls for the mobilization of USD 200 billion per year for biodiversity from all sources, including USD 30 billion through international finance.

Table 3.1: Nature finance-related terminologies and definitions

Term	Description	Source
Biodiversity finance	Finance that contributes, or intends to contribute, to activities that conserve, restore, or avoid a negative footprint on biodiversity and ecosystem services.	IFC (2023). IFC Biodiversity Finance Reference Guide.
Nature finance	Finance contributing to the goal of halting and reversing nature loss and supporting the implementation of the GBF; includes finance that delivers measurable gains for nature, and also finance that enables a broader transition of economic activity away from practices that are driving nature loss.	World Bank Group (2025a). MDB Common Principles for Tracking Nature Finance.
Nature-positive finance	Nature-positive is the subcategory of nature finance expected to deliver measurable positive outcomes for biodiversity or ecosystem services, relative to business-as-usual.	World Bank Group (2025a). MDB Common Principles for Tracking Nature Finance; Finance for Biodiversity Foundation & UNEP FI (2024). Finance for Nature Positive: Building a Working Model.
Nature mainstreaming finance	Nature mainstreaming is a subcategory of nature finance expected to enable a broader economic transition toward practices aligned with delivering the nature-positive goal, but that do not meet all nature-positive criteria.	World Bank Group (2025a). MDB Common Principles for Tracking Nature Finance.
Conservation finance	Mechanisms and strategies that generate, manage, and deploy financial resources and align incentives to achieve nature conservation outcomes and improve outcomes for nature.	Meyers D. et al. (2020). Conservation Finance: A Framework

3.2.2 QUALIFYING NATURE-POSITIVE FINANCE

I. INTERACTION WITH THE MITIGATION HIERARCHY

To qualify as nature-positive, financed activities must deliver measurable positive outcomes for biodiversity or ecosystem services, relative to business-as-usual (World Bank Group, 2025a). Activities must also minimize and address negative impacts on nature by following the mitigation hierarchy: impacts should first be avoided; if unavoidable, minimized through project design; then restored on-site post-impact; and finally compensated or offset off-site (see Figure 3.3).

The mitigation hierarchy has been the guiding principle for addressing economic activities' harm to biodiversity over the last two decades and is widely embedded in the environmental impact assessment policies of governments and financiers around the world (Maron et al, 2023). Applying the hierarchy is key to achieving net biodiversity outcomes of no net loss (NNL) and net gains of biodiversity.

Figure 3.3: The mitigation hierarchy

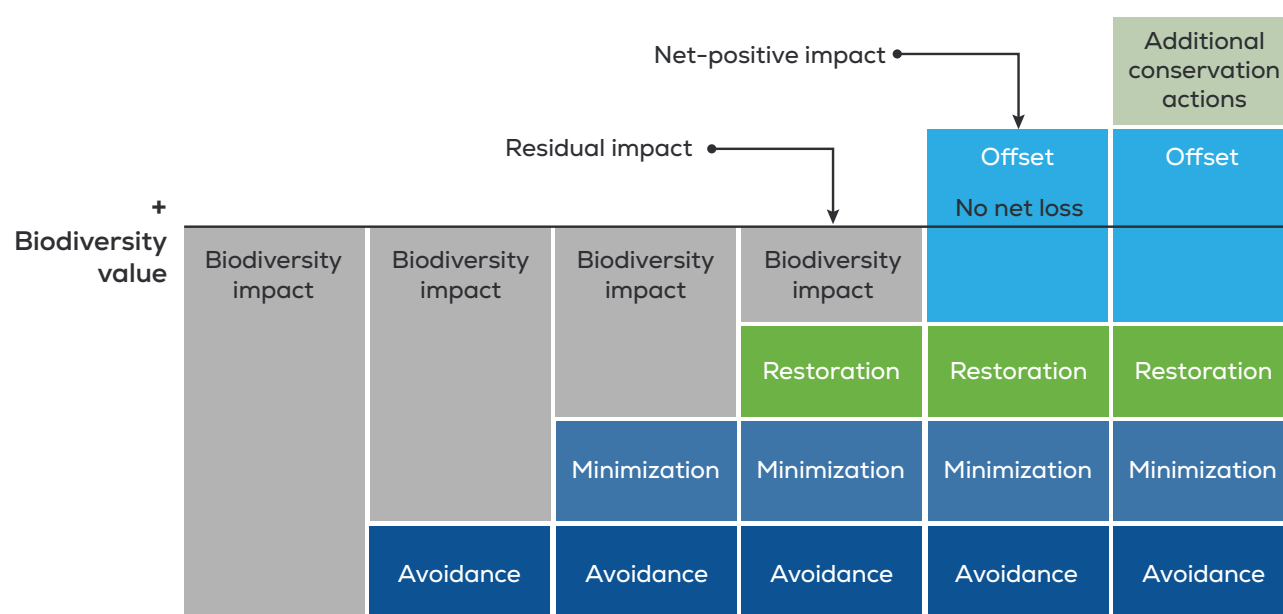


Figure adapted from IUCN (2012) and UN Compact and IUCN (2012).

There is some divergence regarding whether actions described in the mitigation hierarchy contributes to only negative impact mitigation, or also contributes to positive gains for nature. For example, the World Bank (2024) distinguishes between finance to mitigate nature impacts from nature finance and nature-positive finance, and does not consider nature mitigation finance as part of nature finance or nature-positive finance. The bank treats nature impact mitigation finance as “activities and associated finance intended solely to ensure compliance with the Environmental and Social Framework and IFC and MIGA Performance Standards through the application of the mitigation hierarchy”. It defines nature impact mitigation finance strictly as directed at managing potential project-related risks and adverse impacts on nature, in contrast to nature finance (including nature-positive finance), which is intended to generate positive returns for nature. The Cambridge Institute for Sustainability Leadership (2025) incorporates the mitigation hierarchy in its definition of nature finance, including both finance that avoids and minimizes pressures on nature (i.e., nature recovery finance such as finance for activities reducing the use of pesticides or water consumption) and finance that restores and conserves nature (i.e., nature conservation finance such as finance for the creation of protected areas).

While the precise use of the mitigation hierarchy in qualifying nature-positive finance varies, there is growing consensus that a rigorous application of the hierarchy is essential but insufficient for achieving nature-positive goals. In their [Finance for nature positive working model](#) (UNEP FI, 2024c), the Finance for Biodiversity Foundation and UNEP FI outline three transformative levels for financial institutions to operationalize the nature-positive concept (see Figure 3.4). Compliance with the mitigation hierarchy is the first level, affirming the need for financial institutions to prioritize understanding and reducing the existing negative impacts of their portfolios when engaging in nature-positive finance. When considering progress toward nature-positive goals, it is necessary

to subject all nature impacts at the site level to the best-practice implementation of the mitigation hierarchy.

Figure 3.4: Finance for nature-positive working model

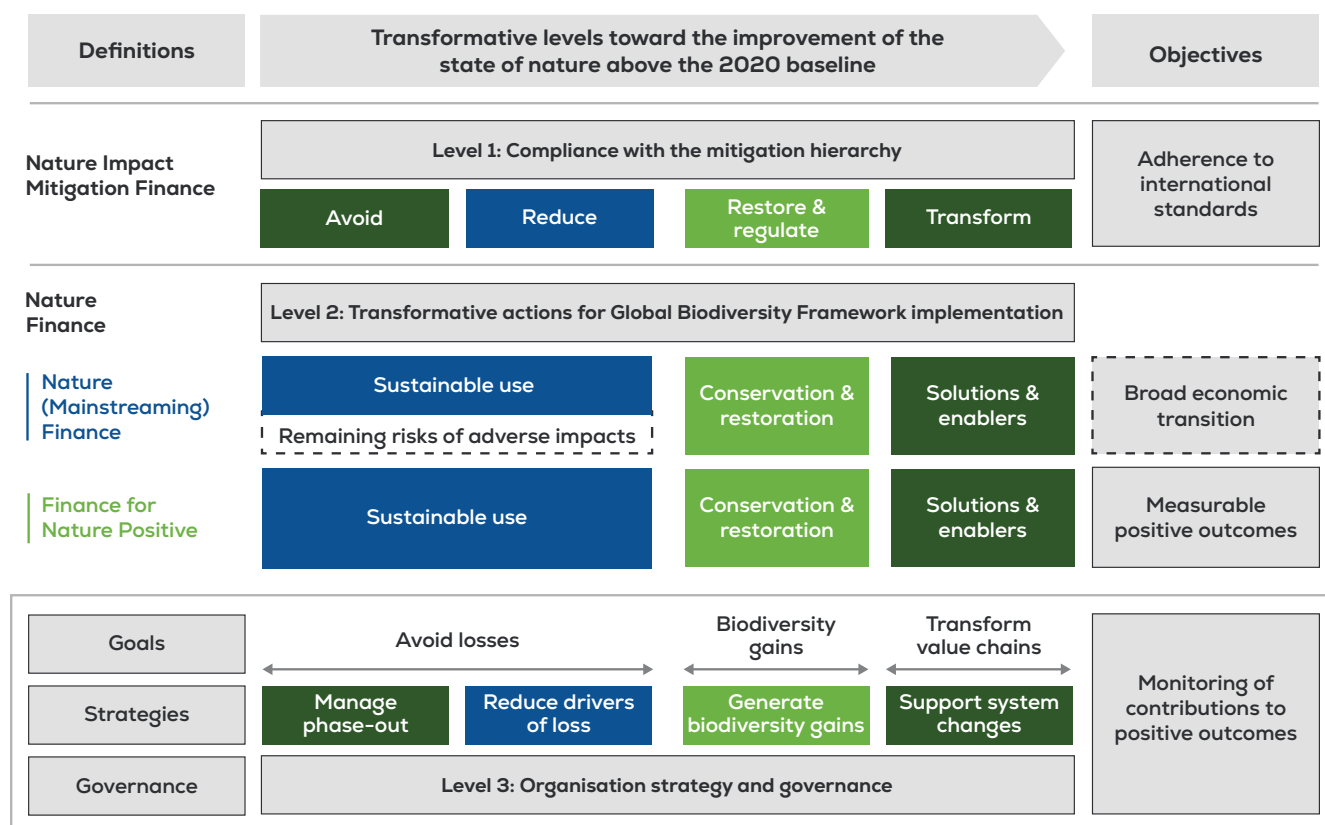


Figure adapted from Finance for Biodiversity Foundation & UNEP FI (2024).

II. IDENTIFYING FINANCE THAT DELIVERS MEASURABLE POSITIVE OUTCOMES FOR NATURE

Recognizing that nature-positive finance must go beyond mitigation to fund activities that generate positive nature outcomes, many organizations have developed taxonomies to help identify and track finance for eligible activities, as shown in Table 3.2.

Table 3.2: Non-exhaustive list of taxonomies identifying activities that benefit biodiversity and/or nature

Taxonomies	Description
IFC Biodiversity Finance Reference Guide (IFC, 2023)	Builds on the Green Bond Principles and the Green Loan Principles to provide an indicative list of investment activities that seek to generate biodiversity co-benefits; investments in biodiversity conservation and/or restoration with biodiversity conservation and/or restoration as the primary objective; and investments in nature-based solutions to conserve, enhance, and restore ecosystems and biodiversity.
EU Taxonomy for Sustainable Activities (European Commission, 2026)	A classification system that aims to define which economic activities are considered environmentally sustainable. It covers activities that qualify as substantially contributing to the protection and restoration of biodiversity and ecosystems, though coverage remains limited to two of 16 sectors: environmental protection and restoration activities; and accommodation activities.
MDB Common Nature Finance Taxonomy (World Bank Group, 2025b)	Developed by MDBs to identify nature finance in their portfolios. It provides a non-exhaustive list of activities that qualify as nature finance across six sectors and three cross-cutting themes.
IRIS+ Thematic Taxonomy (GIIN, 2025)	A classification system of actions and goals for 17 identified impact categories (e.g. Agriculture; Biodiversity & Ecosystems; Land) developed to help impact investors systematically drive positive outcomes for people and planet.
BIOFIN Global Biodiversity Expenditure Taxonomy (BIOFIN, 2024b)	A classification system of public biodiversity expenditures under nine primary biodiversity categories, subcategories, and expenditure programs.
Business for Nature Sector Actions Towards a Nature-Positive Future (Business for Nature, 2024)	Outlines actions specific to 15 sectors that companies should take to credibly help halt and reverse nature loss and contribute to a nature-positive economy.

Nature-based solutions

Nature-based solutions (NBS) are defined by the IUCN as actions that “protect, sustainably manage, and restore ecosystems to address societal challenges”¹⁴ (IUCN, 2016). Both the IFC Biodiversity Finance Reference Guide and the MDB Common Nature Finance Taxonomy explicitly identify NBS, in addition to biodiversity conservation and restoration, as contributing to the nature-positive goal of halting and reversing nature loss. NBS are also mentioned alongside an ecosystem-based approach, which refers to the conservation of habitats and biodiversity as part of a climate adaptation strategy, as key interventions needed to achieve the two targets identified in the GBF.

The IUCN Global Standards for Nature-based Solutions outline eight criteria for designing and verifying NBS, including addressing societal challenges, achieving net gains for biodiversity and ecosystem integrity, and incorporating good governance (IUCN, 2020). The emphasis on measurable positive biodiversity outcomes echoes the nature-

¹⁴ Examples of NBS include, but are not limited to, wetlands restoration for flood protection, mangrove conservation for coastal resilience and carbon sequestration, agroforestry and regenerative agriculture that enhance soil carbon while improving biodiversity, and large-scale forest protection and restoration efforts that deliver both emissions reduction and habitat recovery.

positive finance qualifying criteria from the MDB Common Principles, which specify that qualifying activities must make a substantive contribution to nature, have measurable expected positive outcomes, and not introduce significant adverse environmental risks and impacts.

However, not all NBS can fully meet the criteria laid out by the IUCN or the MDB Common Principles. For example, nature-based climate solutions—a subset of NBS—primarily focus on emissions mitigation and removal by pursuing conservation, restoration, and improved management in natural and working ecosystems (Buma et al., 2024). Such solutions may lead to biodiversity-negative outcomes—for example, the creation of fast-growing, single-species tree plantations enables rapid carbon sequestration but offers low resilience as a carbon store and may sometimes lead to water shortages (Key et al., 2022). Furthermore, interventions reported as NBS do not consistently monitor and report outcomes, raising questions about their ability to deliver measurable benefits for biodiversity and ecosystem integrity.

III. MEASURING NATURE-POSITIVE IMPACT

Measuring nature-positive outcomes is a key requirement of nature-positive finance.

Across the literature, sources emphasize that outcomes must be evidence-based, transparent, and directly attributable to financial actions. UNEP FI's Finance for Nature Positive Working Model (UNEP FI, 2024c) distinguishes nature-positive finance from nature finance on the principle of measurability, recognizing that *nature-positive finance* generates “measurable positive outcomes” while *nature mainstreaming finance* enables “broad economic transition”. This is echoed in the 2025 MDB Common Principles, which affirm that nature-positive finance is expected to deliver “measurable positive outcomes for biodiversity or ecosystem services” (World Bank Group, 2025a).

While there is rich literature on biodiversity impact measurement, these impacts are mostly measured at the site-level, while nature outcomes occur at the landscape level (ALIGN, 2025). Biodiversity impact measurements have expanded beyond the site-level over time. In 2025, the Finance for Biodiversity Foundation released guidance for financial institutions on measuring biodiversity impacts and dependencies, outlining 12 approaches applicable beyond the site level. These levels include balance sheet, portfolio, sector, assets, corporate, product or service, and supply chain (Finance for Biodiversity Foundation, 2025).

In 2025, the Nature Positive Initiative (NPI) released draft metrics to track the state of terrestrial ecosystems, engaging with over 700 stakeholders in the development process (NPI, 2025). The draft metrics contain four key indicators—ecosystem extent, ecosystem condition at the site level, ecosystem condition at the landscape level, and species extinction risk—suggesting the need to measure outcomes at both the site and landscape levels to qualify nature-positive claims. These metrics are still in development and not yet ready for use.

The IUCN (2025b) has also differentiated measurements at the project and value-chain levels when working to achieve nature-positive goals, starting with direct and indirect impacts at the project level through the mitigation hierarchy lens, before proceeding to

cumulative and indirect impacts throughout the value chain that fall within a company's sphere of influence.

The lack of consensus on the scale and level at which measurements are conducted hinders the development of a baseline for measuring progress. The NPI advocates for using the year 2020 as a baseline to gauge progress in achieving the 2030 mission and 2050 goals of the GBF. Meanwhile, the MDB Nature Working Group called for crafting a baseline at the scale of the intervention or at the spatial scale at which the outcomes will materialize, or otherwise, a “business-as-usual scenario”. The IUCN (2023) proposed a fixed and measurable baseline for measuring nature-positive, though both fixed and dynamic reference scenarios have been discussed in the literature in measuring no net loss targets for biodiversity.

3.2.3 QUANTIFYING NATURE-POSITIVE FINANCE

Nature-positive finance tracking has evolved rapidly, though no universal approach has emerged. Table 3.3 presents the four most-referenced tracking approaches, organized into two broad categories: *self-reported investment tagging* used by public financial institutions to track and report their own financial commitments; and *independent external tracking* of global financial flows based on publicly available and proprietary data. These are discussed in more detail in the rest of the chapter.

Table 3.3: Overview of most-used nature-positive finance tracking methodologies

Methodology	Intended use	Eligible activities	Strengths	Limitations
Self-reported investment tagging				
OECD Biodiversity and Development Finance Tracking (OECD, 2024)	Track official development assistance from DAC-eligible countries targeting the objectives of the Rio Conventions, including biodiversity.	(1) Conservation of biodiversity; (2) Sustainable use of its components (ecosystems, species, or genetic resources); (3) Fair and equitable sharing of benefits arising from the utilization of genetic resources.	A flexible approach that accommodates different institutional preferences by offering multiple pathways to classify biodiversity finance.	Not mandatory for all institutions in DAC-eligible countries, leading to inconsistencies. Excludes biodiversity-relevant finance not classified as “principal” or “significant” under the Rio markers.

Methodology	Intended use	Eligible activities	Strengths	Limitations
MDB Common Principles of Tracking Nature Finance (World Bank Group, 2025a)	Enable consistent and comparable tracking of MDB financial flows that support nature.	(1) Restoration and conservation of biodiversity or ecosystem services; (2) Reduction of the direct drivers of biodiversity or ecosystem services loss; (3) Integration of nature-based solutions across economic sectors; (4) Design and implementation of policies, tools, or sectoral instruments enabling activities 1 to 3.	A clearly defined methodology, supported by a detailed taxonomy, that can be applied beyond MDBs and encourages convergence in nature finance tracking across public financial institutions, similar to the role of MDB Common Principles in climate adaptation finance tracking.	Approach may be perceived as complex, particularly due to ambiguity in determining what constitutes a “substantive contribution” and the extent to which adverse environmental risks and impacts must be mitigated. As a process-based approach, it may be difficult to operationalize, particularly for private financial institutions.
IDFC Green Finance Mapping methodology (IDFC, 2025)	Track the financial contributions of the 27 IDFC members toward green finance, including biodiversity finance.	(1) Conservation, restoration, or enhancement of ecosystems; (2) Integration of biodiversity and ecosystem services into development objectives; (3) Elimination of harmful subsidies and provision of positive incentives for biodiversity outcomes; (4) Maintenance of genetic diversity; (5) Fair and equitable sharing of benefits from genetic resources; (6) Support for meeting obligations under the Convention on Biological Diversity.	Provides a broad and inclusive set of eligible activities, reflecting the diversity of financing approaches across IDFC members.	Open methodological questions remain, including how biodiversity finance relates to the broader concept of nature finance and how to operationalize and evidence “substantive contribution” in practice.
Independent external tracking				
UNEP State of Finance for Nature (UNEP, 2026)	Track global financial flows to nature-based solutions across institutions and geographies, including nature-positive and nature-negative flows.	Finance that protects, conserves, restores, or sustainably manages natural or modified terrestrial, freshwater, coastal, and marine ecosystems.	Combines project-based tracking with the application of scale factors to market size estimates, improving coverage across sectors and enabling inclusion of flows that are not explicitly tagged as nature-based solutions.	The use of estimation techniques introduces uncertainty, as project-level verification is not always possible. Methodologies vary by spending category depending on data availability, which may affect consistency.

I. SELF-REPORTED INVESTMENT TAGGING

OECD approach

In 2024, the OECD published updated data and a methodology on biodiversity and development finance, applying the Development Assistance Committee (DAC) framework (OECD, 2024). Under the framework, reporting institutions may classify an activity as biodiversity finance if it meets at least one of the following criteria: alignment with the OECD's DAC biodiversity Rio marker, contribution to SDG 14 (Life Below Water) or SDG 15 (Life on Land), or designation under one of two internal biodiversity-specific purpose codes. Activities identified with the Rio marker are assessed against the three objectives of the Convention on Biological Diversity (CBD):

- a. Conservation of biodiversity;
- b. Sustainable use of biodiversity components, including ecosystems, species, or genetic resources; and
- c. Fair and equitable sharing of benefits arising from the utilization of genetic resources.

An activity is then considered biodiversity finance if it meets either the “principal” or “significant” objective:

- Principal objective: Biodiversity is the core reason for funding; the activity would not have been undertaken without it.
- Significant objective: Biodiversity is an important, but secondary, consideration; the activity has other primary objectives but is formulated or adjusted to advance biodiversity outcomes.

Financial data reported under SDG 14 or 15 are manually verified by the OECD to ensure consistency with the Rio marker. The OECD Creditor Reporting System (CRS) further classifies activities by sector through purpose codes:

- 41020 – Biosphere Protection: Covers air pollution control, ozone layer preservation, and marine pollution management.
- 41030 – Biodiversity: Includes natural reserves, habitat protection measures, and actions to safeguard endangered species, such as wetland preservation.

While the DAC approach standardizes reporting across ODA, it is not mandatory for all multilateral institutions. This can lead to inconsistencies and the exclusion of biodiversity-relevant finance not classified as “principal” or “significant.” The OECD also does not delineate the difference between biodiversity finance and nature finance.

MDB approach

In 2025, the MDBs released the second version of the Common Principles for Tracking Nature Finance which built on an earlier version released in 2023 (World Bank Group, 2025a). The principles set out a list of three eligibility criteria an investment needs to meet to be considered nature-positive:

- a. Make a substantive contribution to nature;
- b. Have expected positive outcomes that are measurable and can be assessed and monitored against a baseline, where feasible, or otherwise, a business-as-usual scenario;
- c. Not be expected to introduce significant adverse environmental risks and impacts.

Guidance on the operationalization of the principles was clarified in a note the World Bank published on a nature finance tracking methodology in early 2024 (World Bank Group, 2024). **The methodology sets out a three-step process for determining whether an investment would qualify as nature-positive:**

- a. Applying a taxonomy to identify qualifying activities in each sector with respect to four activity groups:
 - i. Restoration and conservation of biodiversity or ecosystem services;
 - ii. Reduction of the direct drivers of biodiversity or ecosystem services loss;
 - iii. Integration of nature-based solutions across economic sectors;
 - iv. Design and implementation of policy, tools, or other sectoral instruments enabling (i) to (iii).
- b. Screening for project risks to nature including activities that may inadvertently increase the drivers of biodiversity loss; and
- c. Identifying measurable positive outcomes for nature.

The MDBs also create a distinction between two different kinds of nature finance: *nature-positive finance* and *nature-mainstreaming finance*.

- Nature-positive finance is expected to deliver measurable positive outcomes for biodiversity or ecosystem services.
- Nature-mainstreaming finance is nature finance that is expected to enable a broader economic transition toward practices aligned with delivering the nature-positive goal, but that does not meet all the nature-positive criteria.

The MDB Group's guidance on tracking nature finance has proved helpful in standardizing tracking approaches across public financial institutions. Yet, the guidance remains mostly relevant for large, public financial institutions that have the resources to implement a rigorous process-based tracking approach.

IDFC approach

In 2025, the International Development Finance Club (IDFC) published guidance on tracking biodiversity finance, building on the methodology applied in its **Green Finance Mapping reports** (IDFC, 2025; CPI, 2024). The guidance aligns closely with the MDB Group's nature finance framework but applies a narrower focus on biodiversity rather than the broader nature objective.

Under the IDFC framework, an investment may be classified as biodiversity finance if it meets three core conditions:

- a. It has an overall positive contribution to nature;
- b. It makes a substantive contribution to biodiversity; and
- c. It does not result in significant adverse impacts on other environmental or development objectives.

To assess whether an investment delivers a positive contribution to biodiversity, the IDFC methodology, aligned with the OECD DAC, assesses investments against six eligibility criteria, with qualification requiring that at least one criterion be met:

- a. Conservation or enhancement of ecosystems, or restoration of existing environmental damage;
- b. Integration of biodiversity and ecosystem services considerations into recipient countries' development objectives;
- c. Elimination of subsidies harmful to biodiversity and provision of positive incentives for biodiversity outcomes;
- d. Maintenance of genetic diversity;
- e. Fair and equitable sharing of benefits arising from the utilization of genetic resources; and
- f. Support for developing countries' efforts to meet their obligations under the Convention on Biological Diversity (CBD).

Once eligibility is established, the IDFC guidance provides rules for quantifying biodiversity finance. When biodiversity is the principal objective of a project, the full financial value may be counted as biodiversity finance. When biodiversity is a significant but not primary objective, a default coefficient of 30% of the project value is applied. If the reporting institution has an established methodology, deference is given to that methodology and its associated coefficients. Where biodiversity finance represents only an incremental share of total costs, only the directly attributable portion is counted.

The IDFC framework has played an important role in advancing the harmonization of biodiversity finance tracking across DFIs. However, several methodological questions remain unresolved, including how biodiversity finance relates to the broader concept of nature finance and how to operationalize and evidence "substantive contribution" in practice.

II. INDEPENDENT EXTERNAL TRACKING

UNEP State of Finance for Nature

UNEP's *State of Finance for Nature* is a reporting series that tracks global finance flows to nature-based solutions (NBS) (UNEP, 2026). It is the predominant source of data on nature finance at a global economy level and captures both finance for nature-based

solutions and nature-negative finance flows¹⁵. Although UNEP does not explicitly track nature-positive finance, NBS finance¹⁶ is usually considered a core component of nature-positive finance including by the MDBs.¹⁷

Unlike approaches of the MDBs, OECD and IDFC, UNEP's method for tracking NBS finance relies on both *ex-ante*, project-based tracking and the application of scale factors to market size estimates. This dual approach improves the comprehensiveness of global economic coverage and allows the inclusion of sectors and sources that do not explicitly tag data as NBS. Yet, it also introduces uncertainty as project-based verification is not possible. The approach that UNEP applies varies by the spending category (outlined below) with the report using different methodologies depending on data availability. The reporting series tracks both public and private spending on NBS.

Estimates of public spending are derived from three categories:

1. Domestic government budget expenditures, based on the Classification of the Functions of Government (COFOG), covering
 - (a) agriculture, fishing, and forestry;
 - (b) biodiversity and landscape protection;
 - (c) environmental policy;
 - (d) wastewater management; and
 - (e) pollution abatement.
2. Official development finance (ODF), using the OECD Creditor Reporting System (CRS) and the Rio Marker classification.
3. Debt-for-nature swaps, including restructured debt, new debt issuance, and conservation finance unlocked through debt transactions, drawing on Bloomberg Terminal data.

Estimates of private finance for NBS are drawn from six categories:

1. Sustainable bonds for biodiversity, based on BloombergNEF's biodiversity ESG project category.
2. Private philanthropy, using OECD CRS data and including only private donors.
3. Private finance mobilized through ODF, based on OECD estimates.
4. Voluntary carbon market finance, sourced from Ecosystem Marketplace and only projects classified as agriculture, forestry, and land-use projects.
5. Compliance carbon market finance, based on data from Australia, California, Colombia, and New Zealand.
6. Biodiversity offsets, estimated by extrapolating values from Bennett et al. (2017) to produce projections for 2023 and 2024.

¹⁵ Finance flows for activities that could potentially have a negative effect on nature (Paulson Institute, 2020). Activities that are driving unsustainable use of land, freshwater, oceans and resources and ultimately undermining human well-being (UNEP, 2026).

¹⁶ See Section 3.2.2.ii for further detail on the definition of NBS finance.

¹⁷ As discussed earlier in this chapter, one of the four nature finance activity groups of the MDBs is the "integration of nature-based solutions across economic sectors".

Other independent external tracking

In addition to UNEP's *State of Finance for Nature* reporting series, there are several other notable nature-related external tracking approaches. While their scopes extend beyond a strictly nature-positive finance focus, they offer valuable insights into financial flows that support nature-aligned activities and illustrate how related methodologies and definitions are evolving. Table 3.4 presents a non-exhaustive list of alternative independent tracking approaches.

Table 3.4: Other independent tracking approaches for nature finance (non-exhaustive list)

Approach / Report	Description
Biodiversity Finance Trends 2025 (Finance for Biodiversity Foundation, 2026)	This dashboard presents current trends in international biodiversity financial flows, tracking progress across the finance targets of the Convention on Biological Diversity (CBD) Kunming-Montreal Global Biodiversity Framework (GBF).
Landscape of Climate Finance for Agrifood Systems 2025 (CPI & CLIC, 2025)	This report analyzes climate finance going to global agrifood systems in 2021/22, tracking flows across climate uses, financial sources, sectors, regions, and instruments. The latest edition features a first instance of tracking climate finance going to Biodiversity, Land & Marine Ecosystems.
A Comprehensive Overview of Global Biodiversity Finance (OECD, 2020b)	The OECD estimated global biodiversity finance in 2020 by analyzing public domestic expenditure, international public expenditure, and private expenditure on biodiversity from 2015 to 2017.
Financing Nature: Closing the Global Biodiversity Financing Gap (Paulson Institute, 2020)	The Paulson Institute and the Nature Conservancy estimated both positive and negative financial flows for biodiversity conservation in 2019 across the public and private sectors.

4. INTEGRATING NET-ZERO AND NATURE-POSITIVE

Net-zero nature-positive (NZNP) finance is an emerging concept coined under UNEP's Net-Zero Nature-Positive Accelerator Integrated Programme. There is currently no established definition of NZNP finance, but concepts such as the climate-nature nexus and the joint climate-nature transition capture the interlinked drivers, risks, and opportunities of climate and nature.¹⁸ Despite their linkages, climate and nature have historically been governed, measured, and financed through separate frameworks. NZNP finance aims to integrate climate and nature goals into investment decision-making and is understood as financial flows aligned with science-based pathways to achieving global net-zero emissions (i.e., all GHG emissions) and delivering measurable positive outcomes for nature (i.e., including both living and non-living components).

Climate change and nature loss are mutually reinforcing crises, with shared and compounding risks (CISL, 2022; NatureFinance, 2022a; Pörtner et al., 2021). For instance, ecosystems regulate climate through carbon and energy flows, while climate change shifts species distribution, phenology and food systems, reshaping how ecosystems function. Understanding these linkages is key to managing risk and identifying opportunities within the financial sector.

This section traces how these systems have converged, enabling the emergence of joint climate-nature concepts while also revealing gaps in definition and measurement. Given the urgency and scale of the interlinked climate and nature crises, a clear, actionable, and holistic view on NZNP is needed to guide investment. Thus, this chapter also seeks to clarify the concept of NZNP in the context of existing and evolving perspectives on climate and nature, and to present it as a solution-oriented pathway for investment that aligns with both the Paris Agreement and the Kunming-Montreal Global Biodiversity Framework.

4.1 EVOLUTION OF CLIMATE AND NATURE INTEGRATION

Early climate discussions acknowledged the importance of ecosystems and biodiversity for climate change mitigation and adaptation. However, addressing climate and biodiversity largely remained separate throughout the 1990s and early 2000s. For instance, while early reports and negotiations by the UNFCCC and the IPCC recognized forests and oceans as natural carbon sinks, climate mitigation strategies focused on energy systems and industrial emissions. Governance of biodiversity and ecosystems, on the other hand, fell under the Convention on Biological Diversity (CBD) (CBD, 1992; IPCC, 2014; UNFCCC, 1992b) (see Section 3.1). This evolution can be understood through three

¹⁸ *Climate finance* describes financial flows supporting mitigation (i.e., the reduction of atmospheric GHG emissions) and adaptation or resilience to climate finance. *Net zero finance* may be understood as a subcategory of climate finance, referring specifically to finance aligned with a net-zero pathway and related to mitigation investments that support GHG reductions, removals, and sequestration (see Section 2.2.1).

main phases (see Figure 4.1 for additional detail; see also Box 2.1 and Table 3.1 for further description of climate and nature milestones).

Phase 1: 1990s to 2000s – Parallel climate and biodiversity frameworks

Climate and biodiversity were addressed separately in policy, science, and finance. The UNFCCC and CBD were both established in 1992 (UNFCCC, 1992b; CBD, 1992), but as two distinct treaties with separate governance tracks, followed by the Kyoto Protocol in 1997 (UNFCCC, 1997), which set the first binding targets for climate mitigation alone. On the biodiversity side, the Millennium Ecosystem Assessment (2005) provided the first global assessment of ecosystem services, and the Planetary Boundaries Framework (Stockholm Resilience Center, 2009) defined safe limits for Earth systems, including but not limited to biodiversity loss and climate change. While both agendas recognized linkages between climate and nature in principle, institutionally and analytically they developed along parallel tracks.

Phase 2: 2010s – Awareness of interdependence emerges

Scientific assessments increasingly built an evidence base highlighting climate–nature interdependence, driving convergence of climate and nature concepts. The CBD’s Aichi Biodiversity Targets (CBD, 2020b), adopted in 2010, set out 20 global goals to halt biodiversity loss, while the Paris Agreement (UNFCCC, 2015) established the global climate treaty centered on limiting warming to 1.5°C. Between 2016 and 2019, IPBES Thematic Assessments on pollination, land degradation, and ecosystems demonstrated that climate change showed that climate change is a major driver of biodiversity loss and ecosystem degradation (IPBES, 2016, 2018, 2019), warning that biodiversity loss undermines the resilience of ecosystems that regulate climate and provide essential carbon sinks (IPBES, 2019). This evidence base laid the groundwork for the more explicit convergence that followed in the 2020s.

Phase 3: 2020s – Convergence of climate and nature

As the scientific evidence base grew, the understanding that climate and nature as objectives are deeply interconnected gained prominence and global policy frameworks and climate negotiations became increasingly integrated. The Leaders’ Pledge for Nature (CBD, 2020a) was launched in 2020, with 96 countries committing to halt and reverse nature loss by 2030, explicitly recognizing climate change and biodiversity loss as “interdependent crises”. In 2021, the landmark IPBES-IPCC Joint Workshop Report concluded that the climate and biodiversity emergencies cannot be addressed in isolation and require integrated, mutually reinforcing solutions (IPBES & IPCC, 2021), a conclusion reinforced by the IPCC’s Sixth Assessment Report highlighted the critical role of healthy ecosystems in both climate mitigation and adaptation (IPCC, 2023). The Kunming-Montreal Global Biodiversity Framework (GBF) in 2022 set a global mission to “halt and reverse biodiversity loss by 2030”. The 2030 timeline of the GBF aligns closely with timelines for net zero set by many governments and institutions.

This convergence gave rise to new terminology such as the climate–nature nexus and joint climate–nature transition, to describe the shared drivers and reinforcing feedback loops between climate and biodiversity (Finance for Biodiversity Foundation, 2023;

NatureFinance, 2021, 2022b). Around the same time, the concept of a joint climate–nature transition emerged, defined as a transition that simultaneously achieves net-zero greenhouse gas emissions and net-positive outcomes for nature (CISL, 2022; NatureFinance, 2021). Section 4.2 summarizes these and other key terms and definitions.

Figure 4.1: Timeline of the evolution of climate and nature integration

		Primarily Net Zero	Primarily Nature	Integrates Net Zero and Nature
Phase 1: 1990s to 2000s Parallel climate and biodiversity frameworks: Climate and biodiversity addressed separately in policy, science, and finance	1992	UNFCCC		and CBD established, climate and nature governed separately
	1997	Kyoto Protocol		– first binding GHG emissions targets
	2005	Millennium Ecosystem Assessment		– first global assessment of ecosystem services
	2009	Planetary Boundaries Framework		defines safe limits for Earth systems
Phase 2: 2010s Awareness of interdependence emerges: Scientific assessments highlight feedback loops. Nature begins to enter climate discourse	2010	Aichi Biodiversity Targets		adopted to halt biodiversity loss
	2015	Paris Agreement		establishes 1.5°C goal
	2016	IPBES Thematic Assessments		show that climate change is a major driver of biodiversity loss and ecosystem degradation
Phase 3: 2020s Convergence of climate and nature: Terminology of “nature-positive” and “climate-nature nexus” emerges. The financial sector begins to embed climate-nature risk frameworks	2020	Leaders’s Pledge for Nature		recognizes climate change and biodiversity loss as “interdependent crises”.
	2021	IPCC and IPBES Joint Workshop Report concludes that the climate and biodiversity emergencies require integrated solutions		
		NatureFinance Climate and Nature Nexus report mainstreams “climate-nature nexus”		
	2022	Integrated Transition Frameworks (CISL and Finance for Biodiversity Foundation)		
	2023	Expanded climate and nature scenario modelling (NatureFinance and NGFS)		
	2023	NGFS Nature Taskforce – central banks assess nature-related financial risk”		
		IPCC AR6 highlights the critical role of healthy ecosystems in both climate mitigation and adaptation		
	2024	UN Rio Synergies Initiative and Collaboration Platform links the Rio Conventions		
		GFANZ Nature in Net Zero Transition Plans establishes guidance to embed nature in net-zero plans		

4.2 EMERGENCE OF A CLIMATE-NATURE VOCABULARY

As scientific and policy alignment increased, terminology also developed to describe the interconnection between climate and nature, such as the *climate–nature nexus*, *joint climate–nature transition*, and *nature-based solutions*, described below.

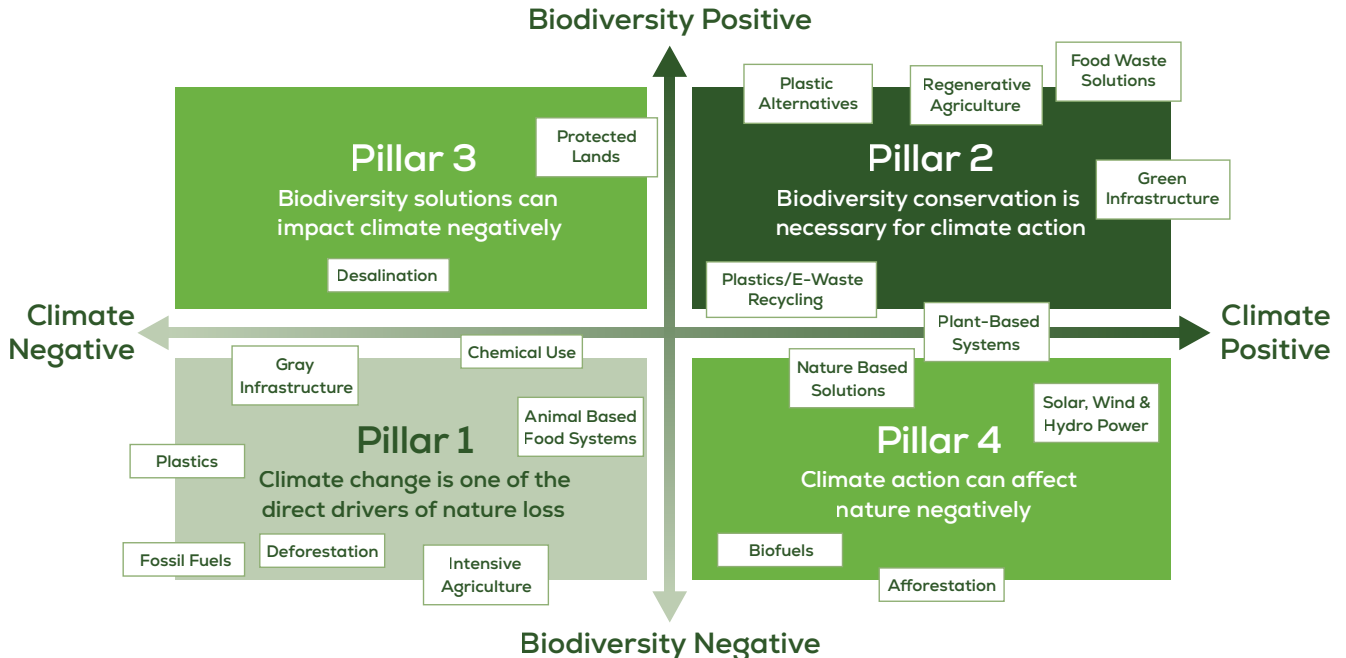
Climate-nature nexus

The term “climate–nature nexus” describes interactions between climate and biodiversity, especially their shared drivers and reinforcing feedback loops. It entered the mainstream with NatureFinance’s 2021 guidance [The Climate–Nature Nexus: Implications for the Financial Sector](#), and has been popularized through use in investor guidance and analytical work (Finance for Biodiversity Foundation, 2023; NatureFinance, 2021, 2022b).

In practice, the concept is often used as a framework to map the interactions and interdependencies between climate and nature, describing how climate action can affect nature positively or negatively, and vice versa (Finance for Biodiversity Foundation, 2023). Figure 4.2 shows the Finance for Biodiversity Foundation’s four-pillar framework, highlighting the range of impacts that climate and biodiversity actions can have on each other. Pillar 2, where actions are both climate- and biodiversity-positive, offers the most impactful opportunities at the climate–nature nexus, with opportunities including regenerative agriculture and green infrastructure.

Understanding these synergies and trade-offs is critical for investment risk assessment and financial decision-making (Finance for Biodiversity Foundation, 2023; NatureFinance, 2021, 2022b). These interactions highlight the need for integrated planning, investment strategies, and risk assessment frameworks.

Figure 4.2: Mapping trade-offs and opportunities at the climate–nature nexus



Source: Finance for Biodiversity (2023).

Joint climate–nature transition

The joint climate–nature transition is defined as a transition that simultaneously achieves net-zero GHG emissions and net-positive outcomes for nature (CISL, 2022; NatureFinance, 2021). Like the climate–nature nexus, the climate–nature transition emphasizes managing trade-offs, such as avoiding mitigation actions that inadvertently harm biodiversity and prioritizing solutions that deliver combined climate and nature benefits.

Nature-based solutions

Nature-based solutions – discussed in Section 3.2.2.ii – are often framed as cost-effective mitigation options (e.g., avoided deforestation, peatland restoration) and as critical resilience strategies (e.g., ecosystem-based adaptation in coastal and urban areas). NBS are inextricably intertwined with climate action, because they leverage the natural role ecosystems play in climate regulation. Ecosystems can not only sequester carbon, but also regulate water cycles and moderate temperatures while simultaneously building resilience against climate impacts such as flooding, drought, and extreme heat. Therefore, they are widely recognized as one of the most effective ways to achieve nature-based climate mitigation and adaptation (Pörtner et al., 2021).

Natural Climate Solutions (NCS), a subset of NBS focused on measurable climate mitigation, NCS, have been emphasized as critical for achieving climate goals (Girardin et al., 2021; Griscom et al., 2017; WEF & McKinsey, 2021). The term was defined by Griscom et al. (2017) as “conservation, restoration, and improved land management actions that increase carbon storage and/or avoid greenhouse gas emissions”.

The 2024 Glasgow Financial Alliance for Net Zero (GFANZ) guidance for integrating nature into net-zero transition plans advocates for incorporating a concept similar to NCS, nature-related levers. The guidance describes two lever types: a) *natural climate mitigation* (place-based natural mitigation measures, e.g., ecosystem protection, conservation and restoration) and b) *natural climate enablers* (non-place-based actions, e.g., demand-side measures or supply-chain management). While NBS offer impactful and cost-effective ways to address both nature and climate objectives, not all NBS can fully meet the IUCN or MDB standards for nature-positive finance (see Section 3.2.2.ii). As such, there is a strong need for robust safeguards to avoid social or ecological trade-offs and maladaptation (Finance for Biodiversity Foundation, 2023; NatureFinance, 2021).

4.3 INTEGRATION OF CLIMATE AND NATURE IN THE FINANCIAL SECTOR

4.3.1 SHARED DRIVERS, FEEDBACK LOOPS, AND RISKS

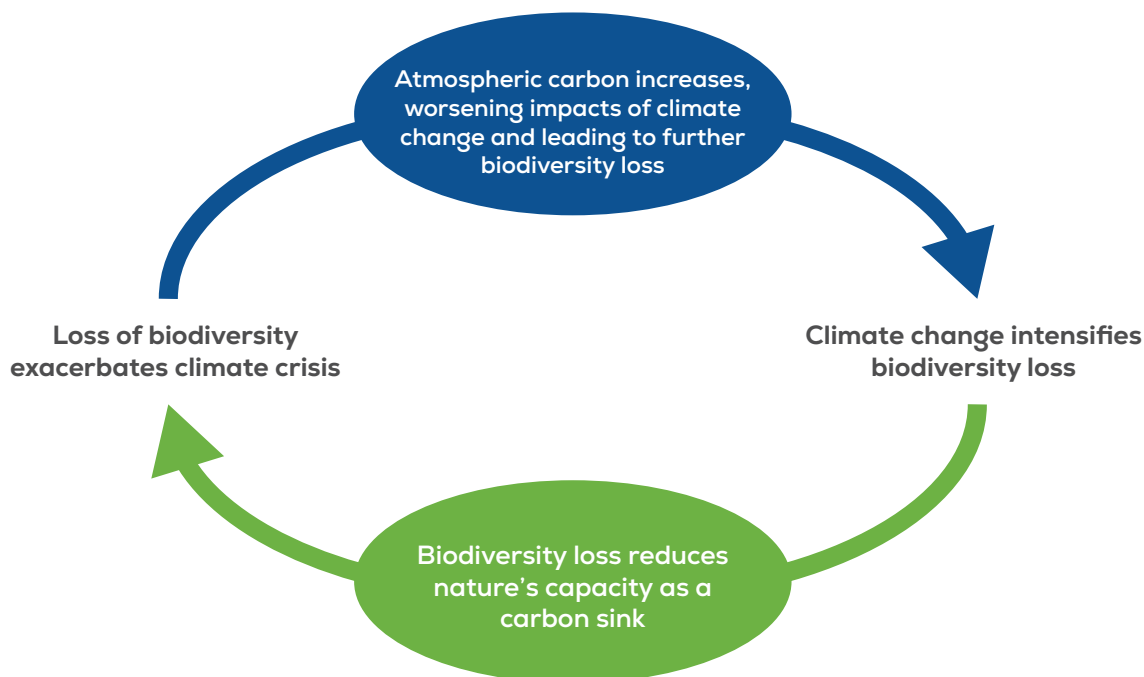
Climate change and nature loss are driven by overlapping pressures that create negative feedback loops, making their impact on financial systems interconnected and compounding. The most prominent shared drivers include land-use change, deforestation, overexploitation of natural resources, pollution, and unsustainable agricultural practices (IPBES, 2019). Conversion of forests, wetlands, grasslands, and coastal ecosystems

accounts for a large share of global emissions while also constituting the leading cause of terrestrial biodiversity loss (Pörtner et al., 2021).

These shared pressures generate feedback loops that both weaken ecosystems and exacerbate climate change (also depicted in Figure 4.3):

- **Climate change intensifies nature loss.** Impacts of climate change, such as rising temperatures, increased frequency of extreme events, ocean acidification and others, accelerate nature's decline. In turn, weakened ecosystems have reduced resilience to further climate impacts, creating reinforcing cycles of vulnerability (IPBES, 2016).
- **Nature loss reduces nature's capacity as a carbon sink.** As ecosystems degrade, they lose their ability to sequester and store carbon. For instance, deforestation, peatland degradation, soil erosion, and coastal habitat loss release carbon into the atmosphere and eliminate natural carbon sinks. These ecosystems are a "critical pillar of the global carbon budget", and their degradation exacerbates the climate crisis (WEF & McKinsey, 2021; CISL, 2022; GFANZ, 2024).

Figure 4.3: Negative feedback loop of climate change and nature loss



Adapted from IPBES & IPCC (2021).

Nature loss also directly reduces resilience to climate change. Ecosystem degradation diminishes nature's adaptive capacity to buffer physical climate change effects such as floods, heat, and water stress (Pörtner et al., 2021). As ecosystems weaken, exposure to physical climate risks increases, placing additional pressure on already degraded natural systems and reinforcing cycles of vulnerability. Together, these shared pressures and reinforcing feedback loops emphasize that "there is no net zero without nature" and underscore the importance of integrated climate–nature approaches that address mitigation and adaptation simultaneously (WEF & McKinsey, 2021).

Negative feedback loops affect financial systems by influencing asset values, cash flows, and macroeconomic stability. Economic activities and financial assets depend fundamentally on ecosystem services, such as natural capital, pollination and clean air and water. Loss of these services creates direct exposure and vulnerability for businesses and financial institutions in nature-dependent sectors. Additionally, physical climate impacts compounded by nature loss can cause direct damage to assets, especially in vulnerable geographies. For example, agricultural portfolios face mounting risks as both climate change and biodiversity loss undermine pollination services and soil health, while real estate investments become vulnerable when wetland degradation and extreme weather combine to increase flood risk.

Climate and nature risks also materialize for financial institutions through their impact on traditional financial risk categories, such as credit, market, and operational risk. For instance, drought combined with biodiversity loss can degrade agricultural productivity, increasing credit risk as farmers default on loans (credit risk), reduce the market value of agribusiness equities and bonds (market risk), and disrupt supply chains that affect business operations (operational risk) (NGFS, 2023). Guidance for integrating climate and nature for the financial sector frames risks across channels such as physical, transition, and systemic risk. Table 4.1 summarizes the definitions and provides illustrative examples of these risks for financial institutions. However, current financial frameworks have largely failed to price these compounding risks. Parallel net-zero and nature-positive initiatives tend to treat climate and nature as separate accounting problems, producing fragmented risk assessments that underestimate the interconnected exposure of portfolios. The consequence is a growing risk of stranded assets as well as broader macroeconomic instability.

Most frameworks integrate climate and nature risks conceptually at a macro-level for overall economies, financial systems or portfolios (CISL, 2022; NatureFinance, 2021; 2022b). However, there is also some integration of climate and nature considerations at the project or transaction level. For example, the Taskforce on Nature-related Financial Disclosures (TNFD) addresses the portfolio and asset level in its recommendations and supports transaction-level integration for nature in its guidance (TNFD, 2025). The [LEAP framework](#)¹⁹ has been developed by the TNFD as a structured pathway for identifying, assessing, and managing nature-related issues that feed directly into the 14 recommended disclosures (in governance, strategy, risks and metrics). In this framework, physical, technological and liability risks can all apply at the transaction level (TFND, 2025).

¹⁹ Locate, Evaluate, Assess, Prepare.

Table 4.1: Risks for the financial sector operating in the climate–nature nexus

	Physical risk	Transition risk	Systemic risk
Definition	Risks arising from climate hazards and nature degradation that undermine ecosystem services and directly damage assets. These risks can be acute (event-driven) or chronic (ongoing).	Risks arising from policy, regulatory, market, or technological shifts associated with climate and nature goals.	Economy- or system-wide risks resulting from interactions between climate and nature tipping points, creating correlated failures across sectors.
Risk exposure	Sectors that cannot be easily relocated and that are more dependent on nature or natural capital have higher exposure to physical climate and nature risks.	Solely focusing on either climate or nature risks increases exposure to transition risk. Many risk frameworks only account for climate and fail to capture nature risks.	Interconnected supply chains, especially those dependent on natural capital, face increased exposure, as do sectors or industries in economically- and climate-vulnerable regions.
Risk implications	▪ Direct damage to assets ▪ Loss of ecosystem services ▪ Increased insurance claims and premiums ▪ Reduced productivity in sectors dependent on natural capital	▪ Stranded assets ▪ Reputational or liability risks ▪ Shifts in consumer preferences ▪ Increased compliance costs (e.g., deforestation-free requirements) ▪ Litigation and liability risks for climate- or nature-negative activities	▪ Portfolio-wide credit deterioration ▪ Market instability from cross-sector impacts ▪ Declines in asset valuations triggered by tipping-point events ▪ Supply-chain disruptions
Illustrative examples	▪ Property damage from hurricanes and coastal erosion ▪ Loss of pollinators reducing agricultural yields ▪ Water scarcity constraining industrial and agricultural operations ▪ Forest loss reducing timber supply and carbon sink capacity	▪ Increased demand for lower-carbon or naturepositive products (e.g., deforestation-free products) ▪ Compliance costs for biodiversity safeguards ▪ Investor divestment from nature-negative sectors ▪ Liability for ecosystem damage	▪ Change in weather patterns disrupting rainfall and agriculture ▪ Collapse of fisheries affecting food security and export revenue ▪ Loan defaults driven by drought, wildfire, and biodiversity loss ▪ Macrofinancial shocks from crossing planetary boundaries

Source: synthesized from NatureFinance (2021, 2022b), TNFD (2023), CISL (2022), IPBES & IPCC (2021), IISD (2022), GFANZ (2024).

4.3.2 CLIMATE AND NATURE INTEGRATION AND OPPORTUNITIES

Beyond minimizing the risks outlined in Table 4.1, integrating climate and nature in decision-making creates distinct opportunities. Tackling climate and nature together leads to solutions that are more cost-effective and impactful than those that address the two objectives separately (NatureFinance, 2022c). Nature-based and natural climate solutions offer cost-effective mitigation benefits and adaptation opportunities that

can be less expensive than engineered approaches and provide social co-benefits. For example, it can be up to five times cheaper to restore coastal wetlands than to construct submerged breakwaters, and protection of biodiversity can lead to improved health outcomes (NatureFinance, 2021; CISL, 2022).

An integrated climate and nature approach also produces better-designed solutions.

Climate strategies that consider nature alongside climate avoid the negative impacts of approaches that consider climate or nature in isolation, such as large-scale monoculture afforestation, which can deliver limited nature value and prove less resilient over time (CISL, 2022). At the institutional level, joint integration generates resource efficiencies that avoid administrative and opportunity costs associated with parallel nature and climate processes (CISL, 2022). For instance, integrating nature into net-zero transition plans can leverage natural synergies to support net-zero commitments across key transition financing strategies, while also helping to mobilize capital toward the substantial financing gap for nature protection and restoration (GFANZ, 2024; CISL, 2022).

Thus, realigning portfolios and financing strategies to jointly incorporate nature and climate is seen as not only minimizing risk and avoiding trade-offs, but also leading to stronger investment returns. Emerging investment practices, such as joint climate–nature corporate disclosures, and the use of innovative financial instruments, such as blended finance for NBS, green bonds, and sustainability-linked debt, highlight how financial institutions are beginning to frame these opportunities within their operations (NatureFinance 2025). Ultimately, adopting an integrated climate–nature framework is necessary for systematically identifying and scaling NZNP opportunities and ensuring they are pursued as core components of the transition rather than optional additions.

However, within the financial sector, climate and nature risks were initially addressed through distinct frameworks designed for different purposes. Climate risk fell under the Task Force on Climate-related Financial Disclosures (TCFD), which focused on helping investors understand financial materiality across portfolios. Meanwhile, biodiversity safeguards in project finance were addressed through standards such as the IFC Performance Standard 6, which set requirements for individual development projects (IFC, 2012). In the early 2020s climate and nature considerations began to be integrated more explicitly across these different contexts. Critically:

- NatureFinance²⁰ delivered a series of reports and guidance (2021–2023) on the climate–nature–nexus and integrating climate and nature considerations into risk analysis and financial decision-making.
- The Taskforce on Nature-related Financial Disclosures (TNFD) published recommendations in 2023, building on TCFD concepts while introducing nature-specific elements such as dependencies, ecosystem services, and double materiality (TNFD, 2023). Its LEAP methodology (TNFD, 2025) provided financial institutions with a structured approach to assessing nature-related risks and impacts.
- The Glasgow Financial Alliance for Net Zero (GFANZ) incorporated nature into its Net Zero Transition Plan (NZTP) guidance (2024).

²⁰ NatureFinance was previously named the Finance for Biodiversity Initiative.

A more detailed look at the guidance on the integration of climate and nature for the financial sector can be found in Table 4.3.

Table 4.3: Literature on the integration of climate and nature for the financial sector

Report	Description
Nature and Net Zero (WEF & McKinsey, 2021)	Action agenda describing challenges and solutions for the scale up of NCS, with a focus on carbon markets as the primary solutions.
The Climate Nature Nexus: Implications for the Financial Sector (NatureFinance, 2021)	Provides an economic rationale for financial institutions to treat climate change and biodiversity loss as deeply interconnected. Outlines overlapping risks and calls for a joint climate-nature approach to risk, investment and disclosure.
Integrating climate and nature: The rationale for financial institutions (CISL, 2022)	Details rationale for financial institutions to integrate climate and nature, proposed a risk framework and advocates for the incorporation of nature-related financial risk into climate agendas.
The Climate Nature Nexus: An investor guide to expanding from climate- to nature-data (NatureFinance, 2022b)	Guide for investors presenting a three-step framework for financial institutions to use existing tools and datasets to screen investments for exposure to nature-related risks.
Unlocking the Biodiversity-Climate Nexus: A Practitioner's Guide for Financial Institutions (Finance for Biodiversity Foundation, 2023)	Presents recommendations for financial institutions, including banks, insurers, asset managers and asset owner, for approaching the biodiversity and climate nexus by defining four pillars of the nexus marked by synergies and trade-offs. Makes recommendations for integrating nexus considerations in key sectors: agriculture, energy, and the circular economy.
Towards an Integrated Transition Framework: Managing Risks and Opportunities at the Nature-Climate Nexus (NatureFinance, 2022a)	Introduces the "Integrated Risk and Opportunity Framework", a tool for financial institutions to structure their approach to a net-zero and nature-positive aligned transition, including both risks and opportunities.
Delivering Financing for Joint Biodiversity and Climate Solutions (GIZ & IISD, 2022)	Argues for blended finance to deliver solutions that leverage synergies between climate and nature, and notes that international and national finance should be mobilized in a coordinated manner.
Climate-Nature Scenario Development for Financial Risk Assessment (NatureFinance, 2024b)	Develops integrated model for a joint climate-nature scenario framework to model economic risks for the agriculture and land use sector, marking an important step toward the development of comprehensive quantitative risk assessment that reflects the interconnectedness of climate and nature.
Nature-related Financial Risks a Conceptual Framework to guide Action by Central Banks and Supervisors (NGFS, 2023)	Provides a conceptual framework for central banks and supervisors to understand and assess nature-related financial risks, adopting an integrated approach in which climate-related risks are treated as part of broader nature-related financial risk.
Tackling the Climate-Nature Nexus (FAIRR, 2024)	Provides a list of solutions to mitigate environmental impacts from livestock production, incorporating the interdependencies between climate and nature.
Nature in Net-Zero Transition Plans (GFANZ, 2024)	Recommendations for incorporating literature into net zero transition plans, arguing that credible net zero pathways require consideration of agriculture, forestry, land-use, and other nature-dependent sectors.

Report	Description
Innovative Financing Structures as Game Changers for Nature and Climate (NatureFinance, 2025a)	Suggests specific instruments for addressing climate and nature in low- and middle-income countries, including sustainability-linked debt and green bonds.
Harnessing the Bioeconomy-Climate Nexus for Sustainable Development (NatureFinance, 2025b)	Provides policy and financing recommendations for countries, MDBs, and NDBs to harness bioeconomy solutions in their 2025 NDCs. Beyond just nature/biodiversity, positions the “bioeconomy” as a critical pathway for integrating climate mitigation, adaptation, and nature conservation.

4.4 TOWARD A DEFINITION OF NET-ZERO NATURE-POSITIVE FINANCE

While literature and key terminology on the integration of climate and nature have developed, the specific application of nature to net zero is limited. At present, there is no unified definition, taxonomy or methodology for qualifying or quantifying *NZNP finance*. Definitions established for the climate–nature nexus and joint climate–nature transition (see Section 4.1.2), may provide a basis for qualifying finance aligned with both climate and nature objectives. At a minimum, an integrated definition of NZNP finance should align with the NZNP pathways definition developed under the NZNP Accelerator Integrated Programme (see Box 4.1) and encompass financial flows that simultaneously:

1. Align with science-based pathways to net-zero emissions consistent with the Paris Agreement’s 1.5°C target, and
2. Deliver measurable improvements in nature outcomes aligned with the goals of the Global Biodiversity Framework, with nature-positive criteria adapted to the specific ecological and geographical context of the financed activity.

In addition, a more holistic definition of net-zero nature-positive finance may be achieved by considering the following two dimensions of the concept:

1. **Adaptation relevance:** Finance to activities whose primary objective is climate change adaptation or resilience, that reduce climate-related vulnerability or physical climate risk and are consistent with climate-resilient, low-emission development pathways.
2. **Transition relevance:** Finance to high-emitting entities or assets that are not yet 1.5°C-aligned or nature-positive but are subject to credible, time-bound transition plans.

Box 4.1: Net-zero nature-positive (NZNP) pathways

Under the Net-Zero Nature-Positive Accelerator Integrated Programme, implementing partners have developed a common definition of “NZNP Pathways” to provide operational clarity across the different components of the Program.

Working definition:

Net-zero nature-positive (NZNP) pathways cut greenhouse gas emissions to net zero while urgently taking action to halt and reverse biodiversity loss, putting nature on a path to recovery by 2030. By 2050, they aim for nature and biodiversity to be restored, conserved, expanded, valued, and sustainably managed and used. These pathways also underpin a just transition, aligned globally with the Paris Agreement and the KMGBF.

Principles and guardrails:

- Capitalise on synergies and interdependencies between the climate and nature agendas to accelerate action. Nature-positive outcomes must be pursued alongside and in support of net-zero, not treated as secondary or optional.
- Go beyond “do no harm” by halting and reversing nature loss and restoring ecosystem integrity, not only mitigating damage.
- Ensure spatial planning recognises areas of importance for biodiversity, and accounts for leakage effects. Decisions on land use, siting, and sourcing should avoid shifting pressures to ecologically sensitive areas or elsewhere in value chains.
- Select priority sectors for decarbonisation actions in the context of long-term net-zero planning, recognising that nature-based mitigation actions are most effective when they complement, rather than substitute for, emissions reductions elsewhere.
- Manage synergies and trade-offs explicitly. Where trade-offs are unavoidable, identify them early, reduce them, and apply safeguards and measures consistent with pathway goals.
- Embed equity, rights, and a just transition. NZNP pathways should ensure meaningful participation of Indigenous Peoples, local communities and people in situations of vulnerability, and reflect distributional impacts on these stakeholders (jobs, skills, costs, and benefits).

The case for the integration of climate and nature is well established (see Box 4.2), as are frameworks for identifying joint climate and nature risk. However, there are limited taxonomies and methodologies for qualifying and quantifying finance that are both climate- and nature-aligned. Therefore, operationalizing NZNP finance requires drawing on multiple complementary sources, to capture both climate and nature dimensions.

While climate alignment can be assessed through established net-zero methodologies tracking emission pathways and science-based targets, nature-positive alignment requires synthesizing elements from taxonomies, impact measurement standards, and disclosure frameworks. Unlike net-zero finance, which can rely on relatively standardized

emissions-based metrics, nature-positive finance is less clearly defined (see Section 3.2.1), and is inherently context-based and local in impact. This makes developing comparable and replicable methodologies for nature-positive finance (see Section 3.2.3) considerably more complex than for net-zero finance (see Section 2.2.3).

Existing frameworks can inform future methodologies for formalizing this integration into institutional operational context. For instance, the [MDB Common Principles \(World Bank Group, 2025a\)](#) provide a common taxonomy on nature finance, listing eligible nature-positive activities and enabling aggregation of total annual nature-finance flows across MDBs. While not jointly aligned with climate, MDBs also follow separate Common Principles for Mitigation and Adaptation Finance. In addition, while not a formal or comprehensive taxonomy, many reports on NBS list integrated examples in key sectors (such as agriculture, forestry, and land-use). For example, [the scientific outcome report of the IPBES-IPCC joint workshop](#) lists land- and ocean-based actions that i) protect, ii) restore, iii) manage, iv) create, v) adapt, and vi) transform, ecosystems and maps their potential to contribute to GHG mitigation, climate adaptation, and human well-being (IPBES & IPCC, 2021). These actions are primarily NBS, though they are typically categorized only as nature-positive investments, underplaying the opportunity for them to target joint climate and nature investments. Similarly, the [Finance for Biodiversity Foundation](#) (2023) maps specific solutions across biodiversity and climate synergies and trade-offs (see Figure 4.2) and provides recommendations for integrated climate-nature investments across key sectors including agriculture, energy, and the circular economy. Sector-specific reports, like FAIRR's [Tackling the Climate-Nature Nexus](#) proposes climate and nature solutions for sustainable livestock production (FAIRR, 2024). These methodologies and frameworks and others (see Sections 2.2 and 3.2) offer partial foundations for NZNP finance, though more convergence is needed for NZNP solutions to be consistently defined and measured.

Box 4.2: Socioeconomic co-benefits of integrating climate and nature

It is broadly recognized that climate, nature, and biodiversity have enormous implications for social co-benefits and human wellbeing, aspects that are not inherently embedded in net-zero definitions. Considerations of social inclusions and equity are most commonly captured in nature frameworks with principles that aim to avoid negative impacts, such as do no significant harm (DNSH) criteria or safeguards to prevent maladaptation. These principles capture the avoidance of negative externalities, but not necessarily positive externalities that can arise from integrating climate and nature. However, the positive social impacts of nature-positive actions are well noted. For instance, NBS and natural climate solutions are cited as addressing “social, economic and environmental challenges effectively and adaptively, while simultaneously providing human well-being, ecosystem services and resilience and biodiversity benefits” (CISL, 2022).

While socioeconomic impacts may not be the direct focus of NZNP finance definitions, capitalizing on synergies and avoid negative trade-offs should be integrated into NZNP definitions and processes, and measuring social impacts alongside side climate and nature benefits should be considered in operationalization.

5. CONCLUSION AND NEXT STEPS

This report provides a structured overview of existing definitions and frameworks for net-zero, nature-positive, and climate-nature finance, identifying where approaches align and where gaps continue to limit consistent implementation.

The review shows how, while net-zero and nature-positive finance are each becoming more clearly defined, an integrated NZNP finance framing is not yet widely used or consistently operationalized. Net-zero finance is operationalized through institutional frameworks (e.g., SBTi and GFANZ). While still fragmented, nature-positive finance has progressed quickly, with time-bound ambition alongside expanding finance definitions and tracking approaches. By comparison, there is less clarity on what counts as NZNP-aligned finance and how institutions can apply that consistently, including whether NZNP should be defined against economy-wide targets and baselines or assessed at the level of individual projects and investments, and how these levels relate.

Climate and nature risks and opportunities require a joint lens for policy and investment decisions. Climate action can put pressure on nature, and nature loss can undermine climate outcomes, so treating them separately can overlook material trade-offs and co-benefits. This is already shaping practice in parts of the financial sector through emerging frameworks that bring climate and nature considerations into risk, impact, and opportunity assessment. NZNP needs an integrated approach, not parallel climate and nature checklists. However, greater integration can also increase complexity and fragmentation, including a growing number of frameworks and taxonomies, which may raise transaction costs and make coordination harder across institutions and jurisdictions.

Climate-nature integration is becoming more mainstream in policy and finance frameworks, but operational tools still lag. Global milestones since 2020 have reinforced the move toward a joint framing in policy agendas, and the evidence base increasingly supports integrated approaches. In practice, however, most “NZNP-aligned” activity identification still relies on examples or non-exhaustive lists (often grounded in nature-based solutions), rather than decision-grade eligibility rules and measurement protocols that institutions can apply consistently. Boundary questions also remain open, including how to treat adjacent categories such as adaptation finance and transition finance. These barriers limit consistent application across policies, portfolios, and reporting practices.

Therefore, priority should be given to developing a shared understanding of NZNP finance that stakeholders can use in practice. This requires a common understanding on:

- How to define NZNP and NZNP-aligned finance;
- How NZNP finance is qualified, including core principles and eligibility logic;
- How NZNP finance is quantified, including minimum metrics, baselines, and reporting rules;
- How boundaries are set so institutions can apply NZNP consistently, including how to treat adjacent categories such as adaptation finance and transition finance;

- How social inclusion and substantive equality are embedded as core elements of NZNP-aligned finance, including distributional considerations and just transition outcomes, rather than treated only as minimum safeguards.

Building on this review of current definitions, CPI will work with other implementing partners under the NZNP Accelerator Integrated Programme to: 1) develop a common definition of NZNP finance, 2) provide guidance on how to operationalize it at the country level, and 3) provide guidance on how to operationalize it at the financial institution level, with a focus on public financial institutions.

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